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ROYAL COMM. ON COAL

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ROYAL COMMISSION ON COAL

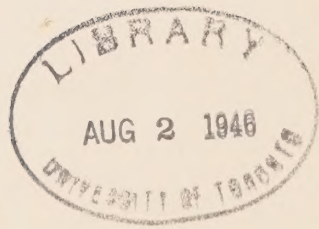
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ROYAL COMMISSION ON COAL

Calgary, Alta.,
April 4, 1945.

The Commission convened at the Court House at 10.00 A.M. on Wednesday, April 4, 1945.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary.

BY MR. FRAWLEY: Mr. Ewart, you just intimated to me that before we resume your examination you have a statement you would like to make?

MR. THOMAS EWART: Yes. While I was being examined yesterday regarding the policy of the C.P.R. on railway purchases of coal I stated the position of the Crows Nest Pass Coal Co. Ltd. with regard to this matter for the last four years, during which period I have been sales manager and then secretary of this company. The only factual evidence I can submit as to conditions existing prior to that time is by reference to the McGillivray Report dated Dec. 10th, 1938, which states that the Canadian Pacific Railway in February 1935 arranged a four-year contract with the McGillivray Creek Coal Company and the International Coal & Coke Company and agreed to take a much larger tonnage from these two mines at a reduced price. In that year I believe we were asked to confer with the C.P.R. in Winnipeg and while I do not have our contract with the C.P.R. for 1935 with me I believe the end result was a reduction of 50 cents per ton commencing April 1st, 1935. It is further stated in the McGillivray Report that the general solicitor of the C.P.R. as spokesman for his company in speaking of the McGillivray and International mines

said, "It is not now anticipated that the contract with these companies, which will expire on or about the 31st day of January next, will be renewed unless it be on a competitive basis."

I felt it desirable to make the statement of facts I have been able to secure so that there can be no question of the full situation being brought before you.

BY MR. FRAWLEY: Now, Mr. Ewart, this statement you have read includes these words: "The McGillivray Report states that the Canadian Pacific Railway in February 1935 arranged a four-year contract with the McGillivray Creek Coal Company and the International Coal & Coke Company and agreed to take a much larger tonnage from these two mines at a reduced price." Now do you know any of the particulars? Could you put on the record the terms of that contract, only as to price and quantity?

A As to quantities I have been informed that from each mine there was to be taken 4,000 tons per week over a four-year period.

Q I suppose that those particulars would be found in the McGillivray Report?

A No, I don't think they are. That is what is common talk in the industry; of course I cannot say with certainty.

BY THE CHAIRMAN: Wouldn't the contract be presented to the McGillivray Commission?

BY MR. FRAWLEY: Was it a written contract, do you know?

BY THE CHAIRMAN: If he went into the question at all he certainly must have had the contract before him.

MR. EWART: I would think he would, sir.

BY MR. FRAWLEY: You say the Canadian Pacific having made that contract with these two companies--was there any control at that time, direct or indirect, between the Canadian Pacific and these two companies?

A As actual knowledge I cannot certify that there was, but

it was commonly believed that the Consolidated Mining and Smelting Company had a substantial stock interest in these two companies.

Q Do you know if the stock position was any different at that time than it is today?

A I wouldn't know, sir.

Q There will be evidence presented to the Commission as to what it is today. I wondered if you knew?

A No, I don't.

Q Then you say that contract having been agreed upon the Crows Nest Pass Coal Company was asked to go to Winnipeg to confer with the Canadian Pacific?

A That's right.

Q On the subject of what?

A I wasn't present, but I will give you the story as I believe it to have happened.

Q So far as your company is concerned?

A Yes. I have discussed it on the telephone with our head office since yesterday.

Q With people who know, who were there?

A Yes. My understanding of the situation is that at the meeting in Winnipeg we were advised that there was a certain tonnage of coal left available for purchase by the Canadian Pacific Railway from the other mines, and that they requested us to bid on that tonnage, and that they felt the price of coal was too high; there should be an adjustment of the price downward.

Q Were you asked to come down to the price that they had agreed with McGillivray Creek and International?

A No sir. We felt that we wished to be competitive and we endeavored to make ourselves competitive in that market at that time.

Q Did you then make a bid on, you say, a reduction of 50 cents?

A That was a bid.

Q I would like to be clear about that. Fifty cents less than what?

A The price paid the previous year.

Q And it was accepted and you got a certain amount of business?

A That's right.

Q Do you know if other companies did likewise?

A I don't know if they all reduced 50¢ but I think they all reduced.

Q Were there other people besides the Crows Nest Pass called to Winnipeg to confer?

A They were there, yes.

Q Now you refer to what the general solicitor of the Canadian Pacific stated; It is not anticipated that this contract to which you have referred would extend beyond the 31st day of January in what year?

A That would be 1939.

Q And did that come about, that the contract did expire, the contract made with the McGillivray Creek and International?

A I don't know, but we didn't have any recurrence of the situation of 1935. I don't know whether that was renewed or not.

Q And how long did this price reduction of 50¢ continue?

A That fairly well was the price which we bid in successive years until war conditions changed our costs.

Q What you are saying is, commencing with what date?

A April 1, 1935.

Q You sold the coal at a reduction of 50¢ under the last previous price and continued to do that until the war period intervened?

A Practically, yes.

Q Now that is the statement--I don't know that my questioning has added anything to it--arising out of my question yesterday to you about--I think I asked you yesterday whether or not the alleged control existing directly or indirectly between the Canadian Pacific and those two mines in the Crows Nest Pass was a factor in the matter?

A Yes. I felt it was desirable that there should be no question.

Q Now if you would go to page 48 of Mr. Stubbs' brief. Perhaps Mr. Stubbs will answer this, or perhaps you can, Mr. Ewart. You are making some reference to something being done contrary to the justice of the case, and I wonder if you would be good enough to just indicate where there has been some departure from justice?

BY THE CHAIRMAN: Beginning at the very bottom of 47.

BY MR. FRAWLEY: Yes, the paragraph beginning at the bottom of page 47. You speak about the assistance that has been given to you by Coal Control. You say, "This has been made dependent upon the inability of the company to carry the increased costs rather than upon the justice of the case," and frankly I am just a little confused about what you mean.

BY THE CHAIRMAN: Is that Coal Control he is referring to?

BY MR. FRAWLEY: Apparently. It is Coal Control, Mr. Stubbs?

MR. STUBBS: That's right. With respect to that, the general attitude of the Coal Controller as outlined in exchanges with ourselves and in interviews has been not necessarily upon the amount of additional cost to which the company would be exposed but rather upon their ability to carry on without assistance. Now in respect to that I have some lengthy notes, though I don't think it is advisable to go into detail in connection with that matter, but I would read one letter into the record in connection with what I mean in that respect.

BY MR. FRAWLEY: Yes, I wish you would, in fairness to Coal Control. I wouldn't like you to be accusing them of being unjust unless you had something to support it, and if you have something I think you should put it in. While I have no brief for Coal Control I think in all fairness you should produce something to support your statement.

MR. STUBBS: Coal Control has made a decided distinction between the situation in which coal was in short supply and when the mines did not have enough business to keep them going, and in the case that I wanted to refer to particularly, this

is a letter addressed to Mr. Wayne Reid, Mountain Park
Coals Limited --

BY COMMISSIONER McLAURIN: Shouldn't that be Mayne?

MR. STUBBS: It should. However, it is Wayne here. 410 Teg-
ler Building, Edmonton, Alberta.

No. 3 Temporary Building,
Ottawa, Ontario.
March 8, 1945.

Dear Sir:

We are rather puzzled by the statement made in your letter of January 15, "The Board owes us for Production Subsidy for the period from the 1st July, 1943, to 31st March, 1944, the sum of \$36,045.63." Our understanding is that your company has not been authorized for subsidy since the advances which had been made to you were recovered in the amount of \$26,486.02 for the reason that your company was considered, for subsidy purposes, to be in a profit position. The statement, which you quote in your letter, "Your March F4-A return has been handed to the Board's Accounting Division for processing" cannot be interpreted as an authorization for payment of subsidy.

There has been an undertaking on our part to place your claim before the Board should your losses become such that your company's assets were being wasted in an effort to keep the mine in production. An examination of your financial statement does not convince us that this condition exists.

Against fixed assets of \$1,354,108.55, reserves of different kinds have been built up in the amount of \$1,494,980.35. Despite this fact, against a loss of \$30,756.53 for the year ended June 30, 1944, appears a charge for depreciation of \$62,255.30.

Your current assets exceed your current liabilities by approximately two to one. You hold cash and investments exceeding in value your capital and surplus investments and have besides this \$77,193.92 in accounts receivable.

In considering these figures in conjunction with the fact that another company under the same ownership is operating at a substantial profit, we cannot feel that there would be any purpose in submitting your application for subsidy allowance to the Board for consideration.

BY MR. FRAWLEY: That is written by whom?

MR. STUBBS: That is written by Mr. E. J. Brunning, Chairman,
Emergency Coal Production Board.

Q That is what I thought. I want to ask you something about that, but we do draw a distinction, and so do you, between Coal Control and the Emergency Coal Production Board.

A However, we don't draw any distinction between Coal Control and either of those.

Q On page 48 you are referring to the Emergency Coal Production Board?

A We are referring to the Coal Controller.

BY THE CHAIRMAN: Not in his capacity as Coal Controller.

BY MR. FRAWLEY: You may think that that is being technical, but far from it. We have to distinguish between Coal Control and Emergency Coal Production Board. Before you pass in that letter I wanted to ask you to point to the position taken by Mr. Brunning which in your opinion was unjust.

A The company was operating at a loss.

Q Mr. Brunning didn't agree because of that depreciation charge?

A That's right, and he did not think it necessary to submit the matter to the Board under those circumstances.

BY THE CHAIRMAN: If he is unjust in one respect it doesn't of course add to his lustre in the other capacity.

MR. STUBBS: In addition to that, in the last paragraph he says: "In considering these figures in conjunction with the fact that another company under the same ownership is operating at a substantial profit, we cannot feel that there would be any purpose in submitting your application for subsidy allowance to the Board for consideration." Now my point in connection with that is that the operation of another company has nothing to do with this particular one. This company was operating at a loss, which was shown by the statements submitted, and just why their request for assistance or relief for that operation should be made contingent upon the position of another company because of like ownership is something we don't understand.

BY THE CHAIRMAN: Of course I think he made a very good case for not giving subsidy before he stated that fact at all, that this particular company was not entitled to anything in the shape of financial assistance.

A That is complaint, sir, that his judgment in the matter was not based on the justice of the case.

BY THE CHAIRMAN: I think it is. I mean I think so far as I have been able to deduce from the letter you read that Mr. Brunning has made a very good case for not giving this particular company assistance due to its financial condition and that sort of thing. That is what he is really basing it on. The other would be unfair if he didn't have a good case on the first basis.

BY COMMISSIONER McLAURIN: Let's start at the beginning of this. It was hoped at one time that we might have a review of those matters before we came here. I don't know what information the other Commissioners have but I haven't the foggiest idea of how the Emergency Coal Production Board operates and I would gather from what you say that notwithstanding our alleged free enterprise the Emergency Coal Production Board is going to absorb the losses of the companies, the loss is paid by the Emergency Coal Production Board. That question will indicate how little I know about it, and I think the first thing we should learn is how this Emergency Coal Production Board operates and on what principle do they give advances.

MR. STUBBS: There is an order-in-council dealing with that-- I haven't got the number of it in mind at the moment--that sets it up and gives their powers. It was set up under emergency conditions when coal was in short supply and the intention at that time was that with price ceilings limiting the prices that could be charged for coal and with other controls that meant additional costs on the companies it was possible that companies could not continue to operate on that basis without assistance and would be faced with closing down. The intention was to avoid closing down the mines that were producing coal and an application could be made in cases where losses were being incurred to the Emergency Coal Production Board, financial statements submitted, and then the Board would judge the amount of assistance that might be required to keep them in operation.

The procedure of course was changed from time to time; that is generally the principles on which it was set up.

BY COMMISSIONER McLAURIN: I can see where somebody should not be expected, because they are in a good solvent position, to waste their reserves just to keep in operation when some company that might be insolvent gets assistance to keep operating, but was there any formula as to how the assistance was determined? Was it discretionary with the Emergency Coal Production Board to determine whether to give assistance or refuse it?

A Certain formulas were set up. We have given a short history of some of the things that were done. It was known, for instance, that the cost of living bonus procedure could not be carried by the coal companies without some arrangement for reimbursement. Now in that history we point out that on the first award that was given it was suggested that the matter of price adjustment be taken up between companies and the railways, so far as our operations were concerned, and that was adjusted in that way. Then as a further step when it was decided that no further increases in the price of coal could be granted the reimbursement was by way of a surcharge which was determined by the Coal Control at 7¢ a ton for the steam coal mines, and that amount was invoiced to the customer and shown as a surcharge on the normal price of coal. Then it was found with further increases that those surcharges were going to increase of themselves it was abandoned and that surcharge was embodied in the price of the coal, and then we went on from there. In subsequent arrangements instead of Coal Control adjusting it we had to go to the Wartime Prices and Trade Board, particularly in respect to the O'Connor award. Now in addition to that some mines required definite assistance in some cases to expand production and then it was the case in Alberta, Coal Control or Emergency Coal Production Board or both undertook to make coal available through stripping

operations and advanced monies for that purpose. In other cases companies made application for assistance in capital improvements in the form of subsidies.

Q Wouldn't those be individual deals, the stripping propositions?

A They would make an individual contract for that operation.

Q Each stripping operation was a separate deal?

A That's right.

Q And I suppose capital advances for tipples, etc., would be all individual deals?

A Yes. And in some cases where a company undertook to expand its operations on its own account assistance would be given or arrangements made through that Board for depreciation or writing it off.

Q Now take a company that doesn't need--let's take Mr. Ewart's company, for instance. They say, under this operation although we have reserves and are not going quite broke, even if we do produce a half million or a million tons of coal this year, we should be assisted on the same formula as somebody else on the ground that our current operation is a loss. Wasn't there a general process or formula in that case?

A Yes, if I understand your question with respect to that, there was developed a form, F.4, on which a company would show its operating costs and its revenue and it would make application for assistance, which was on the formula granted on a profit of 15¢ a ton. However, subsequent changes in the attitude of the Coal Controller has been that there was no guarantee, so far as they were concerned, that a company should operate at a profit of 15¢ a ton, and in fact he took definitely the position that until a company was operating at an actual loss they would not consider any application for assistance in their case. As it is now the subsidy formula has been changed, not for the whole of Canada but at least in this area, so that instead of indi-

vidual mines being given separately the subsidy was based on a district and on average requirements for the district. However, I think possibly the details of those questions had better come up when the domestic coal operators, who are operating under that formula, come in. I do not know off-hand all our steam coal mines that are either on subsidy or assistance at this time.

Q Now when you were reading from the letter, it is a fact, I think, that Mr. Brunning took the position that there was no loss because he disagreed with depreciation, as Mr. Frawley has indicated?

A That's right.

Q And he might be right. I mean it is what we lawyers might call a triable issue.

BY MR. FRAWLEY: I don't think Mr. Stubbs will go so far as to say he is wrong because he says he is wrong.

MR. STUBBS: I am only taking this position: I am not judging whether he is right or wrong; I am simply pointing out the procedure, and for those of our people who have suffered they definitely believe he is wrong. I haven't the slightest doubt that Mr. Brunning believes he is right.

BY THE CHAIRMAN: I should say, I think, that I have heard from Mr. Brunning that he is highly pleased with the operators that you represent here today on account of them being able to carry along themselves pretty well without subsidies. I just want to say what Mr. Brunning thinks about you people.

BY COMMISSIONER McLAURIN: I suppose Mr. Stubbs will answer that he should feel that way.

MR. STUBBS: I can say this, that we have given the Coal Controller every possible co-operation, and I think we have stated in the brief that we appreciate the fact that the two men who have acted in that capacity certainly faced very difficult situations, and while in some cases we have disagreed with their judgment or in their ability to carry

out their promises we have appreciated their honest endeavor to do so, and I am sure that Mr. MacGregor Stewart-- as a matter of fact we received a very complimentary letter in which he stated he appreciated very much the restrained language that we had used in our exchanges in respect to his inability to carry out the promises made us. Our relations have been of the happiest kind, excepting that we do have differences of opinion.

BY COMMISSIONER MORRISON: Which is a healthy state of affairs.

MR. STUBBS: I agree.

BY MR. FRAWLEY: Now on page 49, you just have one page on the Emergency Coal Production Board, and the burden of your complaint seems to be that there should be a representative of the industry on the Board?

A That's right.

Q And that is about all you can say about that?

A That is all we can say. We have never been represented on that Board and we think we are being discriminated against in that particular. I think you quite realize I only needed Mr. Ewart's expert assistance in the matter of marketing.

BY MR. FRAWLEY: It may be that I have no more questions that would particularly interest Mr. Ewart.

(Mr. Ewart retires from witness stand)

Q You are talking on page 51 under "Labour Relations" of the O'Connor award, and I wonder would you tell me whether or not the companies have found any benefit from the standpoint of Saturday production, for example, from the state of affairs now which is that to qualify for holidays with pay the miners have to show that they have worked so many days in the year?

A I can't answer that question directly, Mr. Frawley, because it is very difficult for us to present proper absentee records. You see, I explained that our Association has 10 different companies and each one has its own particular

set-up with respect to matters of that kind. While I do get reports I can consolidate in a general way it doesn't reflect the picture of any particular company but I have a general idea of what takes place, and in general I do not see any connection between the O'Connor award and Saturday work, because it doesn't interfere with the situation in any respect. There is no connection there.

Q Doesn't the O'Connor award say that the miner shall have two weeks' vacation with pay provided he can show that he has worked so many days in the year?

A That's right.

Q What are the number of days he has to work?

Q It is not based on the number of days that he works; it is based on the number of days he is absent, that is unfortunate, and he may lose 90.

BY COMMISSIONER MORRISON: It might be well for you to explain at this time that your Association and the United Mine Workers made an entirely new agreement on holidays with pay that changed the picture entirely.

BY MR. FRAWLEY: A new agreement subsequent to the O'Connor award?

BY COMMISSIONER MORRISON: Yes.

MR. STUBBS: We found it practically impossible to operate under the O'Connor award without endless disputes as to what he meant and so we undertook with the United Mine Workers to make an agreement in which we set out something that we believed we could understand and work out, so we took the 90 days of the O'Connor award and subtracted it from 365 and then we divided the remainder so that we have 11 months in the year in which we say a man must work 23 days to qualify and in February 22. Now that, I think, gives you a total of 275 days, is that right? Now while we still retained the yearly feature in connection with it for qualifying, etc., we do set out a day's holiday for each month in which a man works 23 days.

Q In that way he builds up his holiday time?

A That's right.

Q With the Commission's permission I think I will ask Mr. Ewart if he can tell us whether or not in the case of his company there has been any improvement in the Saturday as a result of the O'Connor award?

MR. EWART: No, I would say that Saturday work is about the same as it has been previously.

Q Now Mr. Young has not been sworn but I would like to ask him the experience at his mine with respect to holiday pay and short week?

MR. ROBERT YOUNG: I can't say that I have seen any difference.

BY THE CHAIRMAN: As a matter of fact I think to be fair perhaps the strip mining business has something to do with it. Hasn't production increased since the O'Connor award in your mines here?

MR. STUBBS: Do you mean ---

BY THE CHAIRMAN: Hasn't your production been better since the award was given? For example in 1944, 1945, better than in 1942, '43?

MR. STUBBS: No, our peak year was in 1941-42.

BY COMMISSIONER MORRISON: The production per man tonnage though?

MR. STUBBS: Well, our production per man has gone down.

BY THE CHAIRMAN: I had different information, but you know better.

A As a matter of fact I can give you the consolidated production figures.

Q I got it in the file some place. Perhaps I interpreted it wrong. I thought the production per man year had increased.

A It will be noted that these figures are consolidated.

Exhibit 120 - Statement showing Tonnage
Returns, 1941-1944, Western
Canada Bituminous Coal
Operators' Association

BY MR. FRAWLEY: If you would put on the record those four end figures?

MR. STUBBS: With respect to Exhibit 120, in 1941 the per capita net tons at the end of the year, that is the calendar year, were 3.829; the same figure at the end of 1942 is 3.663; at the end of 1943, 3.601, and at the end of 1944, 3.606. I might point out that there are some interesting monthly fluctuations. It could be examined in detail if you require that information.

Q There is no strip mining in this?

A No.

BY COMMISSIONER McLAURIN: These are the records of your Association?

A Yes. I might point out that in the latter part of 1944 there would be some strip coal from one operation only.

Q In Cadomin?

A Cadomin, included in those figures, and if that were taken out there would possibly be a reduction in the figure for 1943-44, but the difference is so small ---

BY MR. FRAWLEY: While we are talking about that I would like to ask you about this Saturday work. Is the production down on Saturdays from the rest of the week?

A Well,---

Q Or would you rather someone else would answer that?

A Well, I can't tell you what goes on in every mine but I can say this very definitely, that your production for Saturday will not be, under ordinary circumstances, the same as for other days in the week.

Q Why?

A Well, generally on the reports I get you have a higher degree of absenteeism on Saturday if there has been steady work through that week.

Q And may I also ask, why?

A I think rather because the men themselves like to get off Saturday. In some cases it is because every second Saturday

is pay-day. In other cases a heavier loss of time, where you have two pay-days in the month, will occur around the pay-day even if it is in the middle of the week.

Q And I suppose you find in the main that Saturday after Saturday they like to stay away at the end of the week for a little relaxation?

A A good many of them, if they have worked through the week, but if they have lost other days through the week oftentimes men will go to work on Saturday that otherwise would stay away.

BY COMMISSIONER MORRISON: Some coal miners like to get their game of golf in the same as anybody else.

BY MR. FRAWLEY: Is there any other reason, because I may say we have been given other reasons in Nova Scotia and British Columbia and I want to know whether there are other reasons in this area.

MR. STUBBS: I would assume from your question that you are suggesting income tax may have something to do with it.

Q I am not suggesting that.

A You said any other reason, any particular desire of the men not to go to work on that day. I was concerned in discussions both in Ottawa and in the West with respect to the income tax and its method of collection, etc., and I was very fearful at that time that the incidence of the tax was going to increase our absenteeism rate, but I am not at all sure that subsequent experience bears out my original fears. It may in individual cases and I believe it does have an effect, because I prepared a statement that was considered by certain officials of the Income Tax Branch to show under the incidence of the tax and its method of collection what a man would get for his earnings for fourth, fifth and sixth days, and it was very obvious that as soon as a man began to realize that for some of those days he was only going to get one-third or one-quarter

of the rate of pay that was his normal rate, he would then begin to figure as between working that day or laying off, with the general tendency as expressed to me by one miner on one occasion that, "Well, I think I may as well have it in my bones as give it to Mr. Illsley." I think Mr. Livett may remember the occasion.

Q That is just one miner one time?

A Yes, but I mean you take those expressions of opinion for what they are worth.

Q That is what I wanted to explore. I am asking you if it was general?

BY THE CHAIRMAN: You asked him if there was any further reason why they would not work Saturday. Wouldn't that be a reason for dropping out through the week?

BY MR. FRAWLEY: The only thing there, it has to run through the week to find out whether those last two shifts are going to be for him or the Income Tax Department.

BY THE CHAIRMAN: Oh no, it is for him to decide. If it is more convenient for him to be off Monday than Saturday I don't see any reason why he wouldn't.

BY MR. FRAWLEY: That is true.

BY THE CHAIRMAN: I think the whole story about Saturday is that the people of this country generally want to have a half-day off on Saturday.

BY MR. FRAWLEY: Because we have a lot of sunshine here.

BY THE CHAIRMAN: Well, I don't know whether the sunshine since I have been here has done me much good. But isn't that a fact?

BY MR. FRAWLEY: You would say that the short Saturday is due to the simple desire on the part of the miner that he would like to spend the week-end with his family rather than down a mine?

MR. STUBBS: Yes.

Q What do you think about calling off Saturday, not blowing the whistle? Just don't blow the whistle on Saturday at

all and let's work Monday, Tuesday, Wednesday, Thursday and Friday?

- A Consulting over a long period of time with all the companies in our Association with respect to that matter we find there are reasons why we should work Saturday when we can-- many good reasons why. In some mines you have a degradation of your conditions there seven days a week; they don't just stand up like this building. Where you are taking out coal, particularly at depth, you set up considerable movement and that movement continues and it necessitates that along with your operation you must be continually maintaining your mine and that has to be done for seven days a week, just as it has to be done for seven days if your mine only works two or three or four days. Again there is another factor, that the mine has to operate according to car supply. It is not always possible for every day in the week to get cars, and one mine--for instance, take the Crows Nest Pass. Because of the car situation and difficulty of getting cars in to the Pass you may have one mine idle on Monday, another mine idle on Wednesday, and a mine that has been idle all week, if it gets an opportunity to work Saturday it generally wants to do so. The cost of operation by being idle Saturday would necessarily be higher, because you have to charge your Saturday crews' work against the less number of days through the week. The experience is that if you don't work Saturday you get a less amount of coal, and we have wanted the coal.

(Page 2025 follows)

Q. Yes, and your cost is up on Saturday. Your Saturday coal costs more than your coal produced the rest of the week?

A. That depends. If you have a normal shift it would not.

If you have a degree of absenteeism it cuts down your production and your costs for the day would be higher.

Q. My question to you was based upon what I understood you to say, that there was a substantial degree of absenteeism, for this very understandable reason you have given us, and I am glad to have it from you that it is not worrying about Income Tax. Then I say to you, on account of absenteeism why work Saturday, and you say we like to get the coal, but if you have a substantial degree of absenteeism you are paying a lot for that coal?

BY THE CHAIRMAN - Mr. Frawley, you are implying something that Mr. Stubbs didn't answer in the affirmative, that Income Tax has nothing to do with absenteeism.

BY MR. FRAWLEY - I was implying that.

BY THE CHAIRMAN - I don't think he gave it an answer. He did give an instance where one miner at least did take that view.

EXM. BY MR. FRAWLEY (continued)

Q. What do you say about the Income Tax being a factor in absenteeism?

A. What I said about the matter was that having gone into the matter carefully, I don't think my original fears were thoroughly justified, but I do think, and still think, that it has the effect in some cases of increasing the amount of absenteeism when a man judges what he will get for that particular day.

BY COMMISSIONER McLAURIN - That is natural. I have heard a lot of lawyers say they are not going to work their fingers off, that they would rather have less money and a little more leisure.

BY MR. STUBBS - What I pointed out is that it is exceedingly difficult for us to trace absenteeism down to any one cause, and I don't think in general it is any worse now than it has been previously. It is always worse when you begin to work more days. When you work a shorter number of days there is less absenteeism.

BY MR. FRAWLEY - Just follow up what you said. I come back to my question about the five days in the week. Coal mining down on the coal face is not particularly pleasant, it is pretty hard work?

BY COMMISSIONER McLAURIN - It is not such a bad job.

BY MR. STUBBS - I like mining. I don't know where one would get that impression.

BY MR. FRAWLEY - I got it by crawling up the coal face on my hands and knees, but I was not trained in the coal mine, so I found it very difficult.

BY MR. STUBBS - I take it you would also find it difficult to load gravel in the City gravel pit?

BY MR. FRAWLEY - Well of course you could see the light of day, but I would think two days a week would be pretty tough on me.

BY MR. STUBBS - If you were shovelling gravel outside in the Winter you might be doing it at 30 degrees below zero, and perhaps in the sun in the Summer at 100 degrees, and at the working face there is very little difference throughout the year.

BY MR. FRAWLEY - I would be in favor of a two day week in the gravel pit also. But seriously, one way of meeting this desirability of the Saturday off for the miner, which in a way you agree is something that should be thought about, the way to bring it all about is to go on a five day week?

BY THE CHAIRMAN - Are you talking about the hazards of coal mining, rather than the hard work?

BY MR. FRAWLEY - Well, plus that. I have heard it said that working all day in the dark is something that has to be taken into consideration.

BY COMMISSIONER McLAURIN - Let us assume for the sake of argument that miners would like to work five days a week. Mr. Stubbs will agree with that too, but he has given two reasons why it is not economic, car shortage and mine upkeep, and he may say we will go broke if we do not work six days a week.

BY MR. FRAWLEY - I think I should preface all I am saying with, that we are not concerned with the war-time situation. This Commission is here to lay down policies for post-war, so the desirability of getting out more coal for the war period must be put to one side.

BY MR. STUBBS - The answer Mr. Frawley is just the same, that in order to do it your coal will cost you more.

BY MR. FRAWLEY - We will put that down as one point.

BY COMMISSIONER McLAURIN - Why? Have you any more reasons than the two given us?

BY MR. STUBBS - There are others. One would be the effect of our holidays with pay agreement, because we accept the responsibility if the mine is idle and credit the men idle that day for a day's work for holiday purposes.

BY MR. FRAWLEY - If you had a five day week you would not have to credit him with that Saturday.

BY COMMISSIONER MORRISON - I don't think we are going to negotiate a new agreement today.

BY MR. FRAWLEY - I am just trying to get some general principles. I would not expect you to work five days and pay for six.

BY COMMISSIONER McLAURIN - Under the present Agreement if you don't blow the whistle the miner would have to be credited?

BY MR. STUBBS - If we blew the whistle for no work on Saturday we would have to credit the miner for that day.

Q. And you would have to have a new agreement?

A. Yes.

BY MR. STUBBS - In making agreements with our employees we have shifted generally from a day wage basis to annual warnings. By offering six days work a week a man can regulate how much he gets for annual earnings on that basis. But if you base it on a five day week, then he has to have more money for his daily earnings. We face that situation too. Basically the argument is that if we cut out Saturday work and accept responsibility for it, then your coal on the average is going to cost you more per ton. Then you have all the repercussions down along the line.

You have competition by inroads of other coal, shrinkage of market possibilities.

BY MR. FRAWLEY - That may be made up by increased tonnage on the five days that were worked, I suppose?

A. Well I can't see how you can increase the tonnage on the five days you work and reduce the costs to what they were on a six day operation, because you would only succeed in that by the employment of more men.

Q. It is something you could not be very sure of I agree, but there might be possibilities there perhaps. Have you exhausted all the possibilities for and against this five day a week?

A. All my argument is against.

BY COMMISSIONER McLAURIN - Are there any more reasons?

A. Not at the moment that I can think of.

BY MR. FRAWLEY - Now about the last paragraph on page 55 - you say you must have a higher regard for honest and faithful performance if collective bargaining is to continue?

A. We say: "We believe that if collective bargaining is to continue to be the means by which wage rates and labour relations are to be determined, then a higher regard for honest and faithful performance must be developed, and responsibility for carrying out agreements arrived at should properly be placed upon all parties to such agreements."

Q. That is right. You don't mind if I read into that an implication that there has been some dishonest performance?

A. I object to that because it is not intended.

Q. The use of that word "honest" is not intended to imply that up to now there has been any dishonesty in the performance or determination of labour relations and wage rates?

A. I don't think you should imply from something here laid down as to what we think the future holds.

Q. Except that you are looking forward to a higher regard for honest performance than in the past? It would seem to me that there has not been a sufficiently high regard for honest performance. What do you say to that? I don't want this record to

contain any implication of dishonesty unless it was in your mind?

A. Well it was not.

Q. Would you care to make any statement to clarify that.

BY THE CHAIRMAN - The only word he would have to remove would be to take the "or" out of "higher".

BY MR. STUBBS - I think that is very acceptable.

BY MR. FRAWLEY - You do refer on page 58 to the Alberta Gazette for August 31st, 1944, and by so doing call the attention of this Commission to the arrangement made between the Alberta Government and the people who owned what is commonly called the Ford Leases.

A. I am drawing attention to the fact that there has been a change in policy, and for the authority for it, I am drawing attention to that Gazette. I had no intention of drawing attention to those properties or our attitude towards them.

Q. You say: "We fully appreciate the difficulty inherent in any proposals for control to the point where privately owned coal lands could be held inactive, but Government policy for a number of years has been to at least discourage the opening of new mines. This policy has recently been changed with respect to lands that were under the control of the Crown, and reference to this can be found in the Alberta Gazette for August 31st, 1944." And on reference to that copy of the Gazette we find that there is there an Order-in-Council approving an Agreement between the Provincial Crown and Harry A. Ford, and that is the reference to which you are calling the attention of the Commissioners, as indicating a change in policy?

A. Exactly.

Q. Would you mind elaborating upon it. Would you tell us just what that means in support of your statement that there has been a change in policy?

A. What page are you on?

Q. Page 58.

A. We have pointed out quite fully in "Control over New

Operations" the procedure that has been followed in the past. We refer to 3 Commissions: One in 1919 under the Chairmanship of John T. Sterling, then Chief Inspector of Mines; another in 1925 under the Chairmanship of Mr. H. M. E. Evans; and another in 1935 under the Chairmanship of the Rt. Hon. Sir Montague Barlow, and in each case reference was made to the necessity for controlling the opening of new mines .

Q. And the McGillivray Report under the Chairmanship of the late Mr. Justice McGillivray, in which he said "too many mines and too many miners?"

A. Yes. In all these cases the necessity has been appreciated that there should be control over the opening of new mines. And because of the new mines that opened in Alberta and perished, in some cases because of physical conditions that have developed; and those which did succeed have not found sufficient markets to keep their mines completely occupied. It means if more mines are opened up than the market can take care of, then there will be more men taken into mining employment, and each will get a less proportion. While we are not opposing the new openings when indications of markets show that they are required, we do think control should be maintained until such time as the markets do justify a new opening.

Q. That is fine, and I don't think the Commissioners would be bothered by your placing on the record your views in reference to those leases.

A. We have protested to the Government with respect to those leases being re-opened to Mr. Ford, and our information is that there is as yet no justification for the opening of new steam coal mines in the Province of Alberta.

Q. And you point to this as an obvious example?

A. Of a change of policy.

Q. And as an obvious example that there is no need of endeavoring to get into the market at this time?

A. That is right.

BY THE CHAIRMAN - On that question, you people in the mining, or operation of coal mines now, they didn't have an assured market for their coal when they opened up their mines.

A. Well there was a prospective market.

Q. Otherwise there would only be 5 or 6 or 7 mines opened in the Province of Alberta today. Perhaps that is a little exaggeration on my part?

A. But there have been reasons for the opening of mines, particularly along the lines of railway, and mines have been opened in the past without any guaranteed market, and with the full knowledge that they would have to go into competition for what market there really was, and the experience has been (as Mr. Commissioner Morrison pointed out yesterday) that we have had experience with mines only working one or two days a week over a long period of time.

Q. And then the Government came to your assistance on the freight rates, and gave you an extended market, and you are looking for an extension of that to keep that extended market for your production. Now it looks to me a little unfair that the Government of this Province should lease coal lands to people and then refuse to let them open up the mines because they have no market, and will be invading some of the markets that you people expect to get.

A. We have pointed out that we appreciate the difficulty of control. In this particular case referred to the leases had reverted to the Crown and were in the Crown's possession, and they re-issued those leases.

BY MR. FRAWLEY - They waived the forfeiture, and excused the non-payment of rentals.

BY THE CHAIRMAN - All the coal lands are not owned by the Crown in Alberta?

BY MR. FRAWLEY - All except what the C.P.R. own, and the Hudson Bay Company, and some cases like that.

BY MR. STUBBS - We appreciate that it would be extremely

difficult for the Province to refuse the opening of mines on lands not hold by the Crown, but we think they could continue their policy of not leasing Crown lands for the purpose of opening new mines.

BY THE CHAIRMAN - There has been a cry from Pacific to Atlantic for a Fuel Policy for this country by which we could supply our own necessities of coal. Now I cannot see that that is going to be ever accomplished myself, not in my time anyway. But if we come near to accomplishing that at all, certainly we have to give every owner of mines in this country an opportunity to do that if he is willing to put his money in a mine. To try and do what the people of this country have been howling for, and the Government is coming to their assistance in order to do that now by way of transportation, don't you think it is too late to say that we should not have more competitive mines in this Province, or any other province.

A. If I get your question to me correctly, Sir, I would say that if a Canadian policy could be devolved to make Canada sufficient for its fuel supply, then many more mines could be opened and a guarantee given to men who work therein. But we are dealing with the situation as we see it now.

BY THE CHAIRMAN - The railways of this country were not built because they had lots of business in view. The people who built the C.P.R. were dealing with imagination, not realities. They saw the possibilities of this wonderful country of ours, and they came out and built the C.P.R. They were not expecting to make millions the first year, or the second or third year. It was for the purpose of developing our country.

BY COMMISSIONER McLAURIN - We had a virgin country to open up.

BY THE CHAIRMAN - You have pretty near as far as coal is concerned in Alberta.

BY COMMISSIONER McLAURIN - Credit existed, and certainly railways could prosper.

BY THE CHAIRMAN - But you didn't know whether the credit would be taken advantage of or not.

BY COMMISSIONER McLAURIN - But there were some natural resources on which to base the development. That situation does not exist today. A survey of the Rowell-Sirois Report by Mr. Wainess, says the prairie population possibilities are almost attained. He may be right or wrong.

BY THE CHAIRMAN - He is running counter to the opinion of about eleven million Canadians. Suppose this Commission, Mr. Stubbs - we have our limitations and we do not expect to produce a nut bar out of kerosine oil or anything of that kind - but suppose the Government of this country would accept a recommendation that freight rates would be granted either to companies, or by assistance, to make it possible to bring in all the soft coal requirements of the provinces of Ontario and Quebec, divided between the east and west; would that not be sufficient incentive for the owners of coal in this province, and other provinces, to let people open up all the mines they wanted?

A. I think so.

BY COMMISSIONER McLAURIN - I think we are all agreed in that.

BY THE CHAIRMAN - That is what the Government has done practically today. They have given you advantage of a market for two or three million tons of coal that you never had before, and sold under these conditions, the present operations (and I am not referring to those in this part of the country at all) and they object to any other persons who own leases coming in and developing them.

BY MR. STUBBS - I don't quite follow the point that they have opened up a market for two million additional tons of coal?

BY THE CHAIRMAN - I am talking of East and West of course. By giving you assistance in freight rates.

BY MR. STUBBS - We have shown in our Brief that our production capacity has never been fully utilized as yet.

BY MR. FRAWLEY - But you have sent coal into areas by authority of subventions?

A. Right.

Q. And you have obtained that by means of Government aid?

A. Right.

Q. And I would certainly think it would add up to two million tons all over Canada, I would think the figure was not cut.

BY THE CHAIRMAN - That is what the proportions are.

BY COMMISSIONER McLAURIN - Nobody has any assurance that assistance will be increased. The market for Alberta coal is limited to Kirkland Lake and Kapuskasing and some other places and cannot get to the big consumptive part of Canada.

BY THE CHAIRMAN - I am talking of the government stepping in and arranging freight rates so that they will be able to successfully compete in that market.

BY MR. FRAWLEY - Then we would want all the coal?

A. Yes.

Q. Now Mr. Stubbs, I wanted to ask you this: If the Alberta Government, or any other Province who own coal resources, were to deny the right to the owner of the lease to operate their mines, then you are leaving free enterprise behind and getting into regimented economy immediately?

A. I think we are now. We take our chances and battle through.

Q. But the controls you are speaking of are wartime controls.

BY COMMISSIONER MORRISON - He means tariffs?

BY MR. FRAWLEY - You are referring to customs duties on machinery and that kind of thing?

A. Exactly.

Q. But if you refuse the right to open up new mines because the market is just enough for the people already in the industry, then you are getting a measure of regimented economy far greater than you have at the moment?

A. There has been some control at least with respect to the opening of new mines, by Government, hesitancy to permit new operations without inquiring as to what the requirements were, and a hesitancy in granting new leases for coal. That is past policy, and we say it should be continued until the market situation warranted a change. We are not going to keep anyone out, but we want the people who work in it guaranteed a livelihood

in some way or other, otherwise they cannot remain in it.

Q. That is true, but I don't know of any guarantee to this industry or any other.

A. Then the mine goes out of business.

Q. Like factories?

A. And we have arrived at a place where you have some fairly stable operations. A change would probably put us back again into that severe competitive phase.

Q. It is surely competitive or otherwise?

A. That is right.

Q. And you say you would like a little bit of otherwise?

A. We say if we do have these controls with other industries, then we feel we are entitled to some such protection because others are. Yesterday when I was speaking of this I referred to tariffs.

A. I think there is a way to deal with these without going so far as to allow ourselves to be regimented to the extent that the Crown before granting a lease must know whether the operator is going to make money or take business from existing companies. That may be an era we are coming into, but I want the record to be clear that you appreciate the distinction between that sort of economy and what you have at the moment. Perhaps you have said all you can about it. I just want to call your attention to the consequences of the position you are taking, that it was not good government policy to re-establish these Ford leases.

BY COMMISSIONER MORRISON - The Federal Government only as late as last year paid losses on unplowed land, simply because they said we have enough grain. You are not suggesting that that was unsound policy on the part of Mr. Gardiner?

A. I suppose that is a war measure of some kind.

It was our own Alberta Government. If the State of California decides by regulation how many beer licenses they will issue, and even if you own a piece of property well situated for a hotel, they can say we will not give you a license to sell beer because we have sufficient beer gardens in California to look

after the needs of the people.

BY THE CHAIRMAN - Do you think that is satisfactory?

BY MR. FRAWLEY - That is the point, do you want all that or loss? And I simply want to know if Mr. Stubbs is looking for a measure of that sort of regimented economy.

A. No, I am not. Let me make the record clear as to what I said. I said we wanted the policy continued of controls, our objection was to a change in policy. We are not asking for regimentation or more control. Let me point out too, what we say in the Brief on page 58 - "Insofar as the Dominion Government may be able to exercise some control in this matter we would suggest that they would also accept our views with respect to control. Some control also may be exercised by returning to the original subvention provisions." We are not asking for something new, some regimentation, we are asking that: By the provisions of P.C. 3064, dated April 20th, 1943, Section 6 of Order-in-Council P.C. 7588 was suspended until the expiration of three months after the cessation of hostilities of the present war; and all we are asking for in that respect is a return to the previous regulations that were put into effect, where the granting of government assistance was for the purpose of permitting the mines to work more days if it were possible to get more market, and because of the position that the mines could not work sufficiently steady for the men to get a living.

Q. Surely going back to 1930 is going back too far. If you want protection from these now strip propositions, I can see you might say turn the clock back to 1939, but to turn the clock back to 1930 and shut out all the operations from 1930 to 1939 -

A. There are not any new stripping operations that affect us to any degree.

Q. But with your other submissions, you think either by return to the old policy, or keeping away from new policies, you do want this measure of restriction?

A. That is right.

Q. Now I think we have you clear on the record. Now in connection with your mine machinery that you pay big duties on, you can get relief such as the oil people have. Have you ever taken it up?

A. Many times.

Q. Without any success?

A. Yes.

Q. Then you are putting it to this Commission that we have that in mind?

A. Yes.

Q. That would be a way of doing it, asking the Collector of Customs and Excise to relieve you of those heavy duties? Is that what you mean?

A. Yes.

BY THE CHAIRMAN - Was there not some relief given to the Coal Industry before the war as compared with previous years as to relief from the duty on the importation of machinery?

BY MR. FRAWLEY - Relief?

BY THE CHAIRMAN - Not exactly, but some assistance by taking off some of the duty?

BY MR. STUBBS - I could not give you all the details, but with reference to some British machinery there was a preferential tariff, and then there is some machinery that can come in of a kind not made in Canada, where allowances are made. One of the difficulties is that a machine is made up of many component parts and it has to be made up in the factory where it is made and because there is a motor of a kind that cannot be made in Canada in it.

BY THE CHAIRMAN - I agree with you that that is a case of injustice of tariffs as regards machinery.

BY MR. FRAWLEY - On page 65 you deal with the laws of Canada which do not allow you to use electricity at the face in bituminous mines. Have you any ideas of propriety, or adequacy, or excessive safety, on these things? Do they exist, and what should be required of these regulations which prohibit the use

of electricity at the face in bituminous mines?

A. Some of them do. Recently I am more hopeful than I was before that we may arrive at a set of regulations that will permit the safe use of electricity in coal mines.

Q. I am told in the United States there are mines much more gassy than ours, but they use an approved type of electrical machinery.

A. We will have to use an approved type if we use any at all.

Q. But I understood you could not use it, whether it is approved by the United States mines or anything else.

BY COMMISSIONER McLAURIN - Do you believe there are American mines with more gas than ours?

BY MR. FRAWLEY - Do you believe electricity is used in some United States mines that are more gassy than ours?

A. I believe that is right.

BY COMMISSIONER MORISON - What mines have you in mind?

A. In Kentucky and Alabama, according to reports are quite as gassy, and some of them more gassy, than ours.

BY MR. FRAWLEY - It has been suggested to this Commission that perhaps we should review the sufficiency or otherwise of these prohibitions against the use of electricity in bituminous mines. What do you think of that?

A. I think that would fit in with what we would desire to do. We have to work out safety standards in connection with it. Some of them have been already sent up, and if this Commission is going to inquire into it, we would be happy.

Q. It does come down to a matter of ventilation, does it not?

A. Not necessarily. You have to have your conductors in proper form, and your equipment in proper form, explosion proof, and then ventilation has to be taken into consideration, dust conditions in a mine.

Q. You think that is something that it would be proper for this Commission to look into, Mr. Stubbs. Now on page 71 you refer to the views of Dr. Cameron, the Deputy Minister of Mines for

Nova Scotia, and you say you endorse regretfully, but none the less sincerely, what he says. What were you referring to?

A. He is not very hopeful that synthetic industries offer any immediate assistance to the coal mining operations.

BY COMMISSIONER McLAURIN - Like Nylon stockings?

BY MR. FRAWLEY - Is that what you are thinking about?

A. Something like that.

BY THE CHAIRMAN - I think he expressed an opinion that it would be non-economic, and a foolish experiment for coal operators in Nova Scotia to enter into any more than they were getting out of coal now, coal oil, and tar, and whatever else they are getting.

BY MR. FRAWLEY - Mr. Cameron says "Development of industries of this type in Nova Scotia must depend upon the question of cost of production of the coal, or upon the use of what otherwise would be waste material from the coal mining industry. They cannot be expected to absorb any large part of the coal production of the Province." That is all Mr. Stubbs.

Exhibit No. 121 - Brief submitted by Lethbridge
Board of Trade. Presented by
Mr. H. G. Long.

MR. H. G. LONG takes the stand.

BY MR. FRAWLEY - Mr. Long, you are appearing for the Mining Committee of the Lethbridge Board of Trade?

A. Yes sir.

Q. Will you proceed to read their Brief.

MR. LONG reads Exhibit No. 121, as follows:

"BRIEF HISTORY AND EXTENT OF LETHBRIDGE COAL FIELD.

The first coal mine in the Dominion of Canada between Nova Scotia and Vancouver Island was established on the banks of the Old Man River at what is now known as Lethbridge in 1868. This was the foundation of the city of Lethbridge. It was discovered and developed by Nicholas Sheran, U. S. Civil War veteran, in his hunt for gold in the North West Territories of Canada. A cairn commemorating this event erected by the

Canadian Historical Sites Board may be seen in the Galt Gardens of Lethbridge. The coal thus mined was hauled by bull team to Great Falls and Fort Benton, Montana, and to old Fort Calgary. Narrow gauge railways were then laid to meet the on-coming Canadian Pacific Railway at Dunmore, and to the smelter at Great Falls, Montana. The company which developed this coal seam was organized by Sir Alexander Galt, one of the Fathers of Confederation, later the first Canadian High Commissioner to the Court of St. James, the first president being Mr. William Lethbridge of Courtlands, Devon, England, for whom Lethbridge was named. Coal has been mined at Lethbridge continuously since 1868. It was the first industry of Southern Alberta, antedating ranching by at least ten years.

Extent of The Field

The seam, the only one workable in the Oldman formation which is exposed on the banks of the Oldman River, does not extend east beyond the city of Lethbridge. South it separates into two seams non-workable two or three miles south of the original Sheran mine. But north the seam has been proven at Picture Butte, twenty-one miles from Lethbridge, and at Monarch, twenty miles due west. This is very conservative as it is known that the coal-bearing strata extends much further north and west than the distances quoted.

The seam over the above area of 400 square miles has a thickness of from four to six feet of workable coal, lying practically flat. Allowing that 2,000,000 tons of coal can be extracted per square mile, then we have an actual reserve of 800,000,000 tons of coal in the Lethbridge field. Even during abnormal war demands, the output of the field is around 500,000 tons per year. Allowing another 500,000 tons for processing, as we shall explain later as one of our thoughts in this brief, the total would be 1,000,000 tons a year, or 800 years of coal production for the Lethbridge field alone.

We do not profess to be mining engineers but on the authority of the latest figures published from Ottawa, the Lethbridge seam has been classified as a high volatile "C" bituminous, and is found in the Oldman formation of the Upper Cretaceous geological series.

History of The Coal Industry at Lethbridge

Coal mining was a thriving industry in Lethbridge in the early days of this century. But with the coming into production of other domestic coal fields in Alberta, the market for Lethbridge coal became more and more restricted. For instance, at the peak of the last war we had approximately 2000 men employed in the production of coal with ten major mines operating, producing approximately 1,000,000 tons of coal annually. Now, at the peak production of this war, we have roughly 600 men employed and four major mines, producing 500,000 tons a year. In fact, the coal output has been so far deteriorated that, when war demands for coal reached a peak, the Federal Government through its Emergency Coal Production Board had to use Federal money to open up small stripping mine propositions of doubtful permanent value in order to prevent real hardship among coal users. These Federal-owned strip mining propositions may well prove to be a disrupting influence to the organized mining industry in the future.

Today - March, 1945 (when this was written) - we have the anomalous situation in Canada of the Federal Minister of Munitions and Supply warning the country of an imminent coal shortage and the mines of the Lethbridge field working only two days per week.

Position of Lethbridge Field Miners from 1937 to 1944.

Herewith we present some figures showing operating days, high and low, of monthly payrolls, and certain relief payment figures applying to the Lethbridge field during the past eight years:

Working days per year in one of larger mines:

1937.....	144	days
1938.....	124	"
1939.....	147	"
1940.....	137	"
1941.....	132	"
1942.....	255	"
1943.....	283	"
1944.....	248	"

Payroll comparison:

Largest month's payroll ...	\$118,000	...for 25 days' work
Smallest " " " " " "	16,000	...for 6 " "

(That was during that period 1937 to 1944).

The average for all the mines in the field in number of days' work and in comparative payroll would be somewhat less than indicated in these figures.

Lethbridge field mines have always, except in wartime, been more or less seasonal. Slack time in the Spring and Summer usually lasts from some time in March until some time in July with miners working two or three days a week at best.

Lethbridge's Record of Relief Payments during Depression:

<u>Year</u>	<u>Gross Expenditure</u> \$	<u>Contributed by Dominion and Provincial Governments</u> \$	<u>Net Expenditure by City</u> \$
1930	24,801.22		24,801.22
1931	38,990.90		38,990.90
1932	178,728.92	100,180.68	78,548.24
1933	204,396.61	109,024.87	95,371.74
1934	217,276.11	123,189.51	94,086.60
1935	216,682.87	105,000.00	111,682.87
1936	219,914.97	123,500.00	96,414.97
1937	193,156.08	93,111.04	100,045.04
1938	<u>166,035.33</u>	<u>77,563.94</u>	<u>88,471.39</u>
Totals	1,459,983.01	731,570.04	728,412.97

From an analysis of the foregoing tables it will be seen that the mining industry in the Lethbridge field is not attractive, and though it pays good daily wages, it cannot be taken as permanent employment. All men now in the industry have

received their training outside the Lethbridge camp, and no new blood is coming into the industry. In fact the mining companies are worried about the replacement of the present personnel.

Perusal of the above tables will also prove that the average yearly earnings of the majority of the men employed in the industry are not sufficient to support a family, and the men must find alternative employment in the off-season or go on relief.

The number of large mines in the Lethbridge field that have gone out of business for financial reasons but without their resources being depleted shows that the industry is not in a healthy condition either for capital or for labor.

We now, gentlemen, come to the point of this brief. We desire, as laymen, and I would like to emphasize that, to place a few constructive suggestions before this Commission which we believe will be of interest and advantage to the mining industry and the city of Lethbridge.

Professor Griffiths Taylor, Professor of Geography at the University of Toronto, one of the leading authorities of this continent on geography and geo-politics, has in books and articles recently been calling Canada's attention to her tremendous coal resources and the desirability of balancing Canada's industrial set-up by development of industry based squarely upon our coal resources. He makes the arresting statement in his book on Canada's geography that Alberta from Edmonton south to the border will one day be the area of greatest density of population in the Dominion because it is the area in which lies Canada's greatest concentration of coal reserves.

Following are the figures for the estimated coal reserves of Canada and of the Province of Alberta:

CANADA:

From Coal Reserves of the World, 12 International Geological Congress, by B. J. Porter and R. J. Dudley, Department of Mines, Canada:

"The actual resources.....415,000,000,000 metric tons,
with an additional.....802,000,000,000 metric tons
probable reserves."

ALBERTA:

From Memoir No. 58, The Coals of Canada, by D. B. Dowling:

Bituminous.....	237,000,000,000	metric tons
Sub-bituminous.....	53,000,000,000	" "
Lignite.....	234,000,000,000	" "

May we suggest that before this Commission concludes its hearings, Professor Griffiths Taylor be brought before it to give his views, as a scientist who has made a study of the world's resources in relation to industry and population, about Alberta's coal resource and its development. "

BY COMMISSIONER McLAURIN - I think that is a good idea, Mr.Long.

BY MR. LONG - Mr. Chief Commissioner said this morning that it took imagination to build the C.P.R.

BY MR. FRAWLEY - Plus about 125 million acres of land.

BY THE CHAIRMAN - And when they got it built they raised almost a revolution to keep out a competitor.

MR. LONG continues brief

"WATER CONSERVATION AND RURAL ELECTRIFICATION:

One important development which may be expected to increase the market for Lethbridge coal will be water conservation and the extension of irrigation to the South Alberta plains. Around Lethbridge already there are some 250,000 acres of irrigated land with an average of one farm family to each 160 acres of land under the ditch. One of the major post-war works undertakings to which Federal and Provincial Governments have already put their seal of approval is the St. Mary dam and the Southeastern Irrigation project, estimated to cost \$15,000,000, and to provide water storage and distribution canals to carry

water to another 350,000 acres of land lying south and east of Lethbridge.

Part of the Lethbridge area already irrigated is already served by hydro-electric transmission lines, and though rural electrification has not been carried out to any great extent, it is being prepared as a post-war undertaking. When another 350,000 acres are irrigated contiguous to the present area under the ditch, close settlement will be possible, enhancing the rural electrification outlook.

With 600,000 acres irrigated and served with electricity, rural population will show a large increase and an increasing market for Lethbridge coal will be set up. This is one hope for better future markets. Experience in this regard on the already established irrigation projects in the Lethbridge area furnishes proof that this is no vain hope. However, even at best it is a very small market as compared to the huge reserves of coal in the Lethbridge field.

Establishment of a large steam electric plant in the Lethbridge area when rural electrification is carried out may be considered a logical development, and this might well furnish an outlet for certain coals not now readily marketable."

BY THE CHAIRMAN - Yours is a domestic coal entirely?

A. Yes. It is used almost entirely in furnaces and for heating.

MR. LONG continues Brief.

Processing of Coals

It is a well known fact that Canada is at the present time importing 90 per cent. of her petroleum products. It is also a well known fact that the oil resources of the world in sight are limited to approximately 20 years.

(I don't know whether that is correct or not, but it is a statement that is made, and nobody knows.)

BY THE CHAIRMAN - There is not sufficient information about it to make a statement like that.

MR. LONG continues Brief.

"Experimental work on the liquifaction of coal was taken up in 1936, when it became evident that a far-seeing policy from the national point of view should include preparations for the time when gradual exhaustion of petroleum resources would require supplementing to meet the growing need for motor fuel with gasoline and diesel oil produced from coal. At that time (1936) certain foreign nations that had no home sources of petroleum, especially Germany, Japan - and also England - were conducting active research, and at least two of them were producing liquid fuel from coal on a commercial scale. Canada, with practically no petroleum resources of her own, has done a little research in processing of coal, but has done nothing on a commercial scale.

The war has shown what Germany, Britain, Italy and Japan have done in making their petroleum fuels from coal, and without the experimentation done previous to the war their tremendous war efforts would have been entirely different. Italy, with no coal resources of her own, and having to import all her coal for processing, had in three plants in 1939 been producing 115 per cent. of her petroleum requirements.

From the latest United States Bureau of Mines research on the hydrogenation and liquifaction of coal and lignite, Technical Paper No. 666, by Arno C. Fieldner, and his associates, date 1944, on page 67, in his summary and conclusions we quote the following:

"The most favorable operating conditions for the maximum yield of oil vary with different coals.. However, the physical characteristics and chemical composition of the resulting oil are influenced principally by the operating conditions.

"These oils provide an important source of organic chemicals of commercial value, such as tar acids (Phenol, creosols and xylonols) for plastics and benzene, toluene, and xylene for explosive manufacture and solvents. The yield of

tar acids and tar bases is about ten times that obtained in coal carbonization. The total tar acid yield increases with decreasing rank of coal from about 8 per cent. for high volatile "A" bituminous to about 14 per cent. by weight of the moisture and ash-free coal for sub-bituminous coals and lignite.

"The highest yields of phenols and tar acids, from the basis of coal as mined, are obtained from high volatile "B" and "C" bituminous coals, and possibly from some sub-bituminous "A" coals.

"The high content of aromatic compounds in the natural oil makes it a desirable blending base for high-octane aviation gasoline. It is probable (I think that should be possible) also to modify operating conditions so as to produce principally fuel oil, or fuel oil, diesel oil, and gasoline."

We wish to draw to your attention that, according to the above authority, the two principal coals for processing are "B" and "C" high volatile bituminous. Lethbridge coal comes under the second classification. At this point we wish to also draw to your attention the fact that this authority states that the by-products recovered by hydrogenation are ten times that recovered by coal carbonization or what is known to the layman as coking. A visit by the members of this Commission to the Crow's Nest Pass, especially during the night, to witness our beehive coke ovens unfortunately wasting all the volatiles in the bituminous for the purpose of making a metallurgical coke will vividly bring this fact to your attention.

In our oil field in Turner Valley we are all accustomed to the flares brightening the western sky. This is principally methane, or to the layman, gas being burned away after it has served its useful purpose of conveying oil from the wells. This gas is being used to supply domestic heating and cooking gas in Calgary and Lethbridge and surrounding towns in proximity to the pipe line. A doubtful effort has also been made to repressure the depleted Bow Island gas fields.

To us, as laymen, this seems like a tremendous waste of natural resources. We would like to have the members of this Commission, through qualified engineers, investigate the possibility of:

1. Collecting these gases from Turner Valley.
2. Conversion under government sponsorship of beehive coke ovens to by-product ovens and the collection of the tars and volatiles.
3. Conveying these two by-products now going to waste to a coal processing plant for the production of petroleum products.

We believe that the time is ripe for the Federal Government to financially sponsor a plant in the east and one in the west to produce at least part of our petroleum fuels on a commercial scale, the direction of such plants to be kept for the people of Canada.

To produce all our petroleum requirements would require approximately 20,000,000 tons of coal per year. The annual output of all our mines in Canada is in the vicinity of 13,000,000 tons per annum. Therefore, even if we produced only half of our national petroleum requirements, it would increase tremendously our output of Canadian coal. This could be an off-season market, the coal being mined and stock-piled at the plants during off-peak demand periods, thus taking Canadian coal mining out of the seasonal class and making the industry an asset that could provide good living conditions and all year-round employment for all who make their living thereby, and attract capital to Canadian mining with a fair return. We would not then require taxpayers' money to subsidize the coal industry or pay relief to miners going idle. Then would our coal industry become a national asset instead of a national liability."

BY THE CHAIRMAN - Is it not pretty strong, leaving out war conditions, to say our coal industry today is a national liability?

A. It may be a little strong, but it was not very strong in the 1930's, when we were digging up a hundred thousand dollars

a year in Lethbridge, pretty much of which went to the coal miners.

Q. That does not make the coal industry a national liability?

A. No. It would make it a national asset, instead of what it is.

MR. LONG continues brief:

A - The Use of Coal Oil Mixtures

May we suggest to this Commission that another market for our Canadian coal resources lies in the development of low temperature liquifaction plants capable of producing diesel oils, lubrication oils, and coal-oil mixtures. Research along these lines has been done by Japan (J. Soc. Chem. Ind. Japan, 1937, L.L. 280), where they produced with 30 per cent. coal, pulverized, and 70 per cent. fuel oil, a fuel of a value of 17,500 B.T.U. per pound. Under F. W. Goodwin, Director of Coal Research, the Armour Institute of Technology, Research Foundation (1939), recently demonstrated the use of a coal-oil suspension in a standard automobile. The fuel used was a pulverized coal, 40 per cent, and 60 per cent of an oil of a diesel range. The mixture was said to cost ten cents per gallon and gave a performance equivalent to that of high octane gasoline.

We would like to suggest to the members of this Commission the possibility of the above liquifaction plants producing fuel oil to which will be added pulverized coal, which mixture could be piped to the towns and cities and hamlets and rural homes of this country to provide heating and cooking fuels when the natural gases and oils may be depleted.

B - Utilization of Coke Oven Gas for Motor Transport.

Britain, Germany and Japan have all been utilizing coke oven gas for motor transportation for years. Quoting from the Institute of Mining Engineers, Great Britain, Utilization of Coal Committee, summary of progress No. 14, Dec. 31, 1939:

"The Wallsey Gas Company have had two buses running on this gas in the area for two years. The Newcastle and Gateshead Gas Company has announced that a motor bus has been running in its area for 12 months for 12 months using high

high pressure gas stored in six cylinders, each holding 360 cubic feet of gas, or the equivalent load of six gallons of petrol. During five years' experimental work two types of petrol engines have been adjusted to give the same performance on coke oven gas as on petrol."

In Germany a decree was issued concerning the fuel to be used for omnibuses throughout the Reich. From October 1, 1939, to April 1, 1940, in Austria, all omnibuses in regular service with passenger accommodation for 16 or more, at present fitted with petrol engines, must be converted to run on coke oven gas. By the time the decree is operative it is claimed that there will be a gas filling station in every town containing 20,000 or more inhabitants.

These experiments indicate another outlet for coal and another reason for conversion from beehive coke ovens to by-product ovens, all tending to make Canada independent of outside sources for liquid fuels.

C - Solid fuels for Road Vehicles

Germany, Britain and France have since the Great War been operating their heavy road transport by means of producer gas engines, produced from coke or charcoal, and some wonderful results have been achieved. This if used in Canada would create a market for our by-product coke and hence tend to keep the coal industry operating full time. In a paper given by the Duke of Montrose on "Development of Gas Producer Propulsion" at the Fourth National Coal Convention in London, November, 1938, is described a test on a 4-ton HSG lorry, gross weight 7 tons, 7 cwt., on a journey from London to Edinburgh, Glasgow, and back to London.

The fuel was low temperature coke, valued at 40 shillings a ton, average consumption being 1.3 pounds per mile, and the cost of the run being nine shillings, as compared with a probable cost of 42 shillings on petrol. A 32-seater bus in daily service in the Scottish highlands for 25,000 miles gave a fuel cost of two pounds of low temperature coke per mile

or 0.65 pence per mile compared with one penny per mile for diesel oil, and 1.8 pence per mile for petrol.

The above will draw to your attention not only a market for coal but an economical method of heavy road transport, at the same time again making us partially independent of outside sources for liquid fuel."

BY THE CHAIRMAN - Is that a product of the war?

A. Probably in preparation for the war. However, it was described in November 1938. They were evidently expecting war.

MR. LONG continues Brief.

D - Tar for Road-making

May we under this heading draw to your attention the fact that the so-called German military highways have been constructed from coal tar products, pulverized coal and/or char from their hydrogenation plants. Also that the highways of Britain have been constructed from a coal tar base. Those highways have stood up under much more tremendously heavy traffic than our highways have been asked to carry. We could utilize the dusts from our bituminous mines which today are thrown away, and also the surplus tars and also chars left from any plants the Federal Government may see fit in their wisdom to construct.

E - Plastics and Other By-Products

From the various stages of any liquifaction or hydrogenation plants which may be installed, the mother substance to form the various plastics such as nylon and buna-S (synthetic rubber), sulfa drugs, dyes, and the various plastics about which we have heard so much since the war commenced, and on which we firmly believe the scientists have only scratched the surface, can be taken off, opening up new fields for the building of great industries in the future based upon our coal resources.

CONCLUSION

We have, as laymen, attempted to show the serious, unhealthy state of the industry connected with one of our primary natural resources, and have attempted to give some

constructive thoughts for the solution of the problems connected therewith for your consideration. We hope our efforts will help to place the coal industry on the pedestal to which we think it belongs. And we should like to ask this Commission to consider the necessity for much more research being undertaken in Canada by the best engineers and scientists our Dominion can provide under the guidance of our Research Council to the end that Canadian industry may provide the full employment everyone is asking for the post-war period.

All of which is respectfully submitted.

THE LETHBRIDGE BOARD OF TRADE

(sgd) G. L. Davies, President

" H. G. Long, for Chairman of
Mining Committee."

BY MR. FRAWLEY - I have not any questions to ask Mr. Long.

BY THE CHAIRMAN - I think perhaps I should have announced that with any witnesses like Mr. Long, coming in from Boards of Trade, I think Operators or a Union should be given permission to ask him any pertinent questions. However, you are clear now Mr. Long.

12:20 Noon - HEARING ADJOURNED UNTIL 2:30 P.M.

Edward Boyd2:30 P.M. HEARING RE-CONVENEDExhibit No. 122 - Brief by District No. 18,
United Mine Workers of AmericaMR. EDWARD BOYD takes the stand.BY MR. FRAWLEY - Mr. Boyd, you are Acting Secretary of District 18, United Mine Workers of America?

A. Yes.

Q. The Secretary has been away for a while, some place, has he?

A. Yes.

Q. All right Mr. Boyd, if you will just read the Brief of the U.M.W. of A. Dist. 18.

MR. BOYD then reads Brief, as follows:

"District 18, United Mine Workers of America, represents the organized mine workers of the Provinces of Alberta and British Columbia. It was first organized in 1903, and signed its first agreement in that year with the Crow's Nest Pass Coal Company, Limited, at Fernie, British Columbia. In the following years it signed contracts with other coal companies and in 1907 held its first joint conference in the City of Calgary where an agreement was consummated with several coal companies then operating in Alberta and Southeastern British Columbia.

During the years that followed, as coal mining developed, the United Mine Workers of America was the bargaining agent for the mine workers in every coal field in Alberta and British Columbia with the exception of Vancouver Island, British Columbia, which was not organized until the year 1937. Like other organizations, it has had its setbacks, but has always been in the forefront of the struggle in the interests of the mine workers.

In order that the Commission may know the basis on which our Organization functions, we can do no better than state the "Preamble" to our International Constitution.

"There is no truth more obvious than that without coal there could not have been such marvelous social and industrial progress as marks present day civilization.

"Believing that those whose lot it is to toil within the earth's recesses surrounded by peculiar dangers and deprived of sunlight and pure air, producing the commodity which makes possible the world's progress, are entitled to protection and an equitable share of the fruits of their labour, we have formed the 'United Mine Workers of America' for the purpose of establishing, by lawful means, the principles embraced in the body of this Constitution."

The objects of our Organization are as follows:

"First: To united in one organization, regardless of creed, color or nationality, all workers eligible for membership, employed in and around coal mines, coal washeries, coal processing plants, coke ovens, and in such other industries as may be designated and approved by the International Executive Board, on the American continent.

"Second. To increase the wages, and improve the conditions of employment to our members by legislation, conciliation, joint agreements or strikes.

"Third. To demand that not more than six hours from bank to bank in each twenty-four hours and not more than five days per week shall be worked by members of our Organization.

"Fourth. To strive for a minimum wage scale for all members of the Union.

"Fifth. To provide for the education of our children by lawfully prohibiting their employment until they have at least reached eighteen years of age.

"Sixth. To secure equitable statutory old-age pensions, workmen's compensation and unemployment insurance laws.

"Seventh. To enforce existing just laws and to secure the repeal of those which are unjust.

"Eighth. To secure by legislative enactment, laws protecting the limbs, lives and health of our

"members; establishing our right to organize; prohibiting the use of deception to secure strike breakers; preventing the employment of privately armed guards during labor disputes; and such other legislation as will be beneficial to the members of our craft."

Today our Organization has a membership of approximately 9,500 in Alberta and British Columbia, and has signed agreements on a Closed Shop basis in all of the coal mining fields of these two Provinces with the following companies:

BITUMINOUS FIELDS

Canadian Collieries (Dunsmuir) Limited,
Nanaimo, British Columbia,
(Mines at Nanaimo and Cumberland)

K-D Collieries, Limited,
Kaydee, Alberta.

Princeton Tulameen Coal Company, Limited,
Princeton, British Columbia.

Tulameen Collieries Limited,
Princeton, B. C.

Western Canada Bituminous Coal Operators' Association,
520 Lougheed Building,
Calgary, Alberta.

MEMBER COAL COMPANIES ARE:

Brazoau Collieries Limited,
Hordogg, Alberta.

Cadomin Coal Company, Limited,
Cadomin, Alta.

Canmore Mines, Limited,
Canmore, Alta.

Crow's Nest Pass Coal Co. , Ltd.
Fernie, B. C.,
(Mines at Fernie and Michel, B.C.)

Hillcrest-Mowhawk Collieries, Ltd.,
Bellebue, Alta.

International Coal & Coke Co.Ltd.,
Coleman, Alta.

Luscar Coals Limited,
Luscar, Alta.

McGillivray Creek Coal & Coke Co. Ltd.,
Coleman, Alta.

Mountain Park Coals, Ltd.,
Mountain Park, Alta.

West Canadian Collieries, Ltd.,
Blairmore, Alberta.

(Greenhill Mine, Blairmore, and
Bellevue Mine, Bellevue, Alta.)

DOMESTIC FIELDS

Aetna Coal Company,
Rosedale Ferry, Alta.

Alexo Coal Company, Ltd.,
Alexo, Alta.

Balogh Coal Company,
Carbon, Alta.

Big Horn and Saunders Creek Collieries, Ltd.,
Saunders, Alta.

Carbon Black Coals,
Carbon, Alta.

Drumheller Coal Operators' Association,
Drumheller, Alta.

Member Coal Companies are:

Atlas Coal Co. Ltd.,
East Coulee, Alta.

Brilliant Coal Co. Ltd.,
Drumheller, Alta.

Commander Coal Co.,
Drumheller, Alta.

Empire Collieries Ltd.,
East Coulee, Alta.
(Empire Mine and Arcadia Mine).

Hy-Grade Coal Co. Ltd.,
Drumheller, Alta.

Maple Leaf Minerals, Ltd.,
East Coulee, Alta.

Midland Coal Mining Co. Ltd.,
Drumheller, Alta.

Monarch Coal Mining Co. Ltd.,
Nacmire, Alta.

Murray Collieries, Ltd.,
East Coulee, Alta.

Newcastle Collieries, Ltd.,
Drumheller, Alta.

Red Deer Valley Coal Co. Ltd.,
Drumheller, Alta.

Rosedale Collieries Ltd.,
909 Lancaster Building,
Calgary, Alta.
(Star Mine, Aerial P.O., Alta.)
(Rosedale Mine, Rosedale Mine P.O., Alta.)

Western Gen & Jewel Coal Co., Ltd.,
Rosedale, Alta.

EDMONTON FIELD

Banner Coal Co. Ltd.,
Edmonton, Alta.

Beverly Coal Co., Ltd.,
Beverly, Alta.

Edmonton Collieries Ltd.,
Edmonton, Alta.

Great West Coal Co., Ltd.,
Edmonton, Alta.

Kent Coal Company,
Edmonton, Alta.

Red Flame Collieries,
Round Hill, Alta.

Red Hot Coal Co., Ltd., The
Edmonton, Alta.

Riverdale Coal Co. Ltd.,
Nanaimo, Alta.

Samis Collieries,
Edmonton, Alta.

Foothills Collieries, Ltd.,
Foothills, Alta.

Ideal Coal Co. Ltd.,
Wayne, Alta.

Inland Coal Co., Ltd.,
Three Hills, Alta.

Lakeside Coals, Limited,
Robb, Alberta.
(Mines at Mile 33 and Wabamun, Alberta).

LETHBRIDGE FIELD

Chester Mine,
Lethbridge, Alta.

J. J. Hamilton Coal Co.,
Lethbridge, Alta.

Lethbridge Collieries, Ltd.,
Lethbridge, Alta.
(Mines at Lethbridge and Shaughnessy, Alta.)

New Royal View Mine,
Lethbridge, Alta.

McLeod River Hard Coal Company, (1941) Limited,
Morcoak, Alta.

Peerless Coal Company,
Carbon, Alberta.

INDUSTRIAL RELATIONS

As indicated in the foregoing it can be readily seen that our Organization is under contract with all major coal companies in the various coal fields of Alberta and British Columbia. The District Organization maintains the same policy in its dealings with each section of the industry, or group of employers within the industry, and endeavors to have rates of pay and working conditions standardized in order that no operator, or group of operators, may enjoy an advantage over his competitor through the payment of lower rates or through the creating of unfavorable working conditions, although it is true that some operators have a decided advantage in natural conditions. In other words, our Union is definitely opposed to placing a premium on the development of uneconomic properties at lower wage rates, which ultimately come into competition with efficient operations.

Having in mind the wide diversity of mining operations and the many interests who manage and control the different properties, we would readily say that industrial relations on the whole are good. We do find, however, that employment plays an important role in the determining of industrial relations. For many years prior to the outbreak of war the coal miners of Western Canada suffered severely through unemployment conditions in the coal mines of Western Canada. The steam coal areas, while operating all the year round, were reduced to two or three days per week and in some cases, in some seasons of the year, to one and two days per week; while the Sub-Bituminous areas were closed down entirely six and seven months of the year and worked less than full time for the remaining period.

During such years, there was a tendency on the part

of some coal operators to endeavor to avoid the just payment to their employees of their contractual obligations, thereby creating friction and distrust. This condition, however, did not apply to all coal operators, for in a great number of instances, despite the condition of the industry, they endeavored to pay their workmen at the rate they had contracted by agreement to do.

We find that since 1939 with a ready market for coal and steady work available that industrial relations on the whole are better, and in our judgment, compare favorably with industrial relations in any other part of Canada.

TARIFFS

In view of the Coal Industry of Canada being located in the extreme East and extreme West, we deem it advisable to deal briefly with the Tariff Policy of Canada, as it particularly affects Western Canada, in a general way.

For many years prior to World War I, Canada was one of the most important primary producers of the world. Such production was divided mainly between agriculture, forestry and mining. Between 1914 and 1918 Canada developed an important secondary production which consisted largely of manufactures. When the war ended in 1918 the Dominion was at the parting of the ways. She might abandon an enormous capital investment, cut down her production and resign herself to mediocrity as an inferior power; or she might maintain that economic hold and compete for the export markets of the world. Canada chose the second course and succeeded with such a measure of success that by 1928 she had risen to fifth place among the manufacturing nations of the world.

The course that was followed required the maintenance of a high tariff policy which bore heavily upon those engaged in primary industries. The people engaged therein had to pay what amounted to a virtual bonus to the protected manufacturing industries. A number of years ago the late Honorable Norman

Rogers, then a Professor at Queen's University at Kingston, made an exhaustive examination of the incidents of the Canadian tariff. On page 88, Chapter 7, of his report he calculated the tariff costs to the three Prairie Provinces on a total and per capita basis as follows:

	<u>Total</u>	<u>Per Capita</u>
Manitoba.....	\$9,274,769	\$13.25
Saskatchewan.....	25,952,335	28.16
Alberta.....	<u>19,698,248</u>	<u>26.93</u>
	\$54,925,352	\$22.78

Dr. Jacob Viner, Professor of Political Economy at the University of Chicago, was retained by the Province of Manitoba to present a brief to the Royal Commission on Dominion-Provincial Relations in 1938 with respect to the burden on the Prairie Provinces as a result of the Dominion Tariff policy. He reached the conclusion:

"We therefore obtained after making all corrections for which we could find a reasonable basis, \$47 million as our final estimate of the added cost to the people of the Prairie Provinces in a year of normal expenditures resulting from the price enhancement brought about by the Canadian Protective tariff."

The tariff policy followed during the depression years added to the difficulties of the Prairie Provinces. During 1930-32, the tariff was sharply raised. Every major secondary industry was granted higher duties and Canada changed from a country of moderate to one of high protection (page 58, book 1, Report to the Royal Commission on Dominion-Provincial Relations). The averages of General and Intermediate rates (which applied to over four-fifths of the total imports) on all manufactured goods were raised by nearly 50 per cent. All the important commodities and general consumption were made subject to substantially increased duties. The average on the rate on textiles rose by about

one-fourth in the Preferential schedule and by two-thirds in the Intermediate and General schedule, while wool and artificial silk duties were approximately doubled. Tariffs on boots and shoes and furniture were boosted by about one-half. Virtually every branch of the iron and steel industry received added protection by an increase in duties. Subsequently there has been some lessening of the tariff burden on the Prairie Provinces, notably in the case of farm machinery."

BY THE CHAIRMAN - Coal of course got a substantial increase in tariff?

A. Yes.

S. From 51¢ to 75¢?

A. Right.

BY COMMISSIONER McLAURIN - In 1931 or 1932?

BY THE CHAIRMAN - Around there, yes.

MR. BOYD continues Brief.

On page 159 of the Report of the Royal Commission on Dominion-Provincial Relations, it states:

"The increase in protection held the domestic market for the Canadian producers and thus helped to maintain employment and income in the manufacturing industry."

It stated, however, that Western Canada was forced to bear a very heavy burden as a consequence and the raising of tariffs worsened a situation which was already highly unfavorable.

Canada's manufacturing is centered in the Provinces of Ontario and Quebec. The Canada Year Book, 1943-44, says that in 1941 the gross value of the products manufactured in Ontario totalled \$3,121,756,568, or 51 per cent. of the whole Dominion; while the gross value of the industrial production of Quebec was \$1,841,088,523, or 30 per cent. of that of the whole Dominion. Combined, these Provinces did

81 per cent of the Canadian manufacturing in 1941, or \$4,962,845,091. The total Canadian manufacturing that year was \$6,076,308,124.

On the other hand, the gross value of the manufactured products in the Prairie Provinces in 1941 totalled only \$450,207,219 as follows:

Manitoba.....\$211,534,751

Saskatchewan..... 96,020,975

Alberta.....142,651,493

Of this total of Prairie manufacturing, 43% was the output of factories processing farm products as follows:

Slaughtering and packing....\$112,951,716

Butter and cheese..... 44,062,012

Flour and feed..... 38,575,041

Total..... \$195,588,769

It will thus be seen that the three Prairie Provinces did only about $7\frac{1}{2}$ per cent of the total manufacturing in Canada. Alberta's share was less than $2\frac{1}{2}$ per cent.

The Prairie Provinces furnish a substantial market for the goods manufactured in Ontario and Quebec. On the other hand, the Prairie Provinces have difficulty in finding an outlet for their principal products; namely, farm products and coal.

Sir George Paish, eminent British economist, wrote a series of articles for the Financial Post of Toronto in the summer of 1937 in which he made the following observations regarding Western Canada:

"Another reason for the slow development of Western Canada is the policy of high protection, which, until recently, has been so strenuously pursued and demanded by the manufacturing interests of Eastern Canada.

"If anything, Eastern Canada should pay a bonus to those who go to live in Western Canada in order that they might not find their task too difficult or conditions too strenuous.

"When Western Canada has a much larger population than it has today and enjoys a much greater income, the manufacturers of Eastern Canada will be greatly benefitted, as will everyone else. Therefore, what they need to do is to promote the development of the West by every means in their power.

"This would not mean that the manufacturers of Eastern Canada will sell less to Western Canada than hitherto; they will sell more."

The above facts are related to show the economic disadvantages caused by the Canadian tariff policy to the Prairie Provinces. In war times, of course, the situation changes, as there is an overwhelming demand for all primary production. The primary production of the Prairie Provinces, mainly food products and coal, have been of vital importance in recent years. If it has never been appreciated before, the great area of land in Western Canada known as the Prairie Provinces and including Manitoba, Saskatchewan and Alberta, has come into its own during the war years. Each province has an area of over 250,000 square miles. Only one of the States which go to form the United States of America is larger and that is Texas with an area of 265,000 square miles. Germany has an area of but 180,000 square miles.

The Prairie Provinces of Canada are engaged principally in primary production as shown previously in this brief. This statement applies particularly to Saskatchewan and Alberta. In a survey conducted by the Edmonton Chamber of Commerce in 1937, it was found that 90 per cent in value of all goods sold by twenty leading wholesale houses in that City were purchased outside of Alberta. Furthermore, it was estimated that Alberta buys from other provinces and countries 75 per cent of all that its people buy at retail stores, from mail order houses or as implements of production. (See presentation of Edmonton Chamber of Commerce to Commission on Dominion-Provincial Relations). By reason of the Federal Tariff policy most of the imports into the Prairie Provinces cost their users

much more than if they could have been bought in open world markets and imported without tariffs. On the other hand, Federal tariff policy is of little actual benefit to primary producers. There are very few products of the Prairie Provinces whose sale in Canada can be promoted under Federal tariff policy, and even those few products do not receive any such degree of tariff protection as is enjoyed by articles which the Prairie Provinces must import from other provinces. The result is that the Prairie Provinces must sell the great bulk of their products without any assistance from Federal tariff policy and, at the same time, are required by that policy to pay an excess on the great bulk of what their people buy. The Honorable Norman Rogers, after careful consideration of the whole question of Canada's tariff policy, reached the following conclusion (1934):

"National tariff policies have a tendency to enrich the economy of two provinces at the expense of the remainder. This fact is of the utmost importance in determining the wisdom or unwisdom of the policies in question and also its bearing upon the constitutional and financial relationship of the Dominion and the Provinces."

It might be asked: What are the prospects of a substantial decrease in Canadian tariffs? While a certain amount of lip-service has been given to the idea, there is no evidence of a definite trend in that direction. Ontario and Quebec which, as mentioned previously, do over 80 per cent of Canadian manufacturing, contain the largest percentage of the country's population and hence possess predominant political power. Such being the case, it is most unlikely that any Government of Canada would take any action which might harm the industrial life of those two Provinces. The late Professor Stephen Leacock wrote in 1932:

"We in Canada are fairly well agreed upon the policy of protection to manufactured goods. No party in power since Confederation has sought to abolish it..."

"Now, as everybody knows, there is no great possibility for a market for British manufactured goods in Canada. This country has staked too much in the manufacturing industries to be willing to destroy them now and, short of destruction, we could not allow British manufactured goods to compete with our own --- Without our protective tariff we could not maintain our manufacturing system."

If that was true in 1932, how much more so is it today when, due to the need for enlarging Canada's manufacturing plants to provide an enormous production of war material, Canada's industrial life has come through another great expansion movement.

The Federal census report for 1941 showed that the Prairie Provinces had a loss in population between 1931 and 1941 of 248,937 people. The population figures for this area showed an actual gain of 45,063 people in the 10 year period, but there was a natural increase of 294,000 so the net loss in population in the decade was close to a quarter of a million people. Professor W. J. Waines, economist of the University of Manitoba, in his publication "Prairie Population and Possibilities", a study prepared for the Commission on Dominion-Provincial Relations, said:

"On the basis of past experience it might be said that 18 million acres of land still available in the Prairie Provinces of Canada will accommodate not more than 200,000 or 250,000 additional people unless a lower standard of living is acceptable to the new settlers ... It seems clear that there is little prospect of the land already occupied accommodating a larger rural population."

This would suggest that in order to realize the larger destiny which the size and resources of this area would indicate possible, attention must be directed and encouragement given to other branches of human activity therein. Enormous deposits of coal in Alberta provide a national asset of the

greatest value which should be developed on a national basis. The best means of so doing is through a Federal Government coal policy which will result in expanding the markets for Alberta coal. It is submitted that such a policy will be of benefit not only in providing labor through the removing of coal from the mines, but also in transportation, distribution and in the industrial developments which would ensue. In the report of the Advisory Committee on Reconstruction (F. Cyril James, Chairman, September 24, 1943) this statement is made on page 30:

"There are also particular phases of the mining industry of Canada which call for special attention in the post-war period and which can be referred to here only in outline. One of these is the fuller development of our coal resources with a view of stimulating industrial development."

It has been said that Canada as a nation is a "geographic anomaly". Be that as it may, the basis of our destiny was framed in 1867, the year of Confederation. Since then a comparative handful of people which form the Canadian nation have built this Dominion to a place of honor and respect among the nations of the world. Great problems have been faced and surmounted. Canada's accomplishments in war and peace have been of high order, worthy of a free, energetic and determined people. Even greater things can be done in the future if all Canadians study and concern themselves over our major economic problems. It is submitted that the development of the coal fields of Alberta is one of these major problems.

The world now knows that Canada is a great nation in the making, The Dominion has tremendous natural resources, the ability to produce food in abundance and the greatest opportunity facing any young nation in the world today. What is needed now is decisive and energetic action to see that

the Nation's resources are developed speedily in order that there may be employment, not only for the returning soldiers and those now engaged in various occupations, but also for many thousands of those who may want to come to Canada to make their homes in this great Dominion.

NATIONAL FUEL POLICY

Coal with its abundant source of energy affects the livelihood and well-being of our Nation. It ultimates into munitions for our fighting forces, light, heat, synthetics, plastics, and innumerable commodities for our civilians, as well as horse-power for our transportation system. With adequate reserves available, it is high time that a National Fuel Policy was brought into being to deal intelligently and effectively with one of our Nation's greatest resources.

The United Mine Workers of America is not going to bore the Commission with statistical tables showing what the reserves of coal are for the area known as District 18. We believe, and properly so, that this information will be forthcoming from our Provincial Department of Mines and from the coal operators who hold the mining rights throughout the Provinces of Alberta and British Columbia. Suffice to say that from our knowledge these reserves are adequate for many years to come, and with that in mind we believe that the markets which in the past have been supplied by Alberta coal will continue as ready markets for a portion of the coal being mined in Alberta.

In the domestic coal areas particularly we believe there has been much waste by duplication of services in the distribution end of the business. To correct that condition we recommend that the operators be given an opportunity to set up a central selling agency which would act as distributor for the different fields. Drunheller is particularly adapted for such a set-up. This could be organized on a

voluntary basis provided the majority of producers agreed to such a scheme.

We also believe that such an agency would be beneficial to the Steam Coal industry, having in mind the disastrous effects of price cutting which overcame their industry in pre-war years.

MARKETS

The extension of markets for Alberta coal is not only desirable, it is a necessity if the coal industry is to continue on a sound economic basis, and having in mind what we have said in our Chapter on Tariffs, and believing that the present tariff arrangement is likely to continue, we contend that if such markets are to be obtained in Ontario, then the coal industry will necessarily require some form of assistance on a permanent basis.

We believe that this is justified in the interests of security and to avoid being wholly dependent on foreign supplies. The pledging of Federal assistance in order to give security for the supply of commodities necessary for national safety is, in our opinion, justified by the facts and the experiences of these war years.

To that end we recommend that a freight subvention sufficient to allow movement of coal to the Ontario market be established; and that it be made permanent for at least a ten-year period; that only coal suitable for shipping and storage be allowed to enter the market, and that coals not so suited be given preferential treatment in the home market in order that there be no discrimination against districts or against operators.

We believe that this form of assistance is in the national interest, and, therefore, coal being shipped to the Ontario market with Government Subventions would be subject to Government supervision and assistance other than the payment of subsidies. By that we mean that the Dominion Fuel Board,

or some similar agency should be set up as a functioning department, on which coal producers and labor should have representation, empowered with authority to:

1. Encourage the establishment of central selling agencies, and interest themselves in the sale, delivery and consumption of fuel in the national interest.
2. Supervise and standardize sizing and grading coals, and classify coals and (by) certifying as to the origin, quality and such other pertinent facts as may be in the interest of the coal industry.
3. Recommend to the public and to business interests the most economical fuels most suitable to their needs, or to the needs of their business, and by educational campaigns endeavor to secure the best results from various fuels.
4. Promote and stimulate in every way the manufacture of by-products from coal in Canada.
5. To co-ordinate distribution, eliminating waste and duplication of services.
6. Such other matters relating to the improvement of the coal industry generally.

Such a body should have the co-operation of the coal industry, and with that co-operation it would not be difficult for the industry and the Government to set up rules and regulations governing the movement of coal that would be acceptable and beneficial to the industry and to the Nation as a whole.

(Page 2071 follows)

FREIGHT RATES

There is a strong feeling, both among the miners and some coal operators, that the present freight rates on coal shipments to Eastern markets are excessive. Investigations in the past to estimate the cost took into consideration all classes of freight from first to tenth class, and by this method the average freight cost of shipping coal to the Eastern market was established. In addition to that they doubled the cost, claiming that the expense of bringing empty cars back to the mining districts was as great as when shipping full cars to the Eastern market. The Barlow Commission (1935) recommended a reduction in freight rates of 50¢ per ton. However, this recommendation has never been implemented.

We believe that your Commission should make a complete study of freight rates on coal with the purpose of establishing more equitable freight rates.

CONTROL OF DEVELOPMENT

The United Mine Workers of America are unalterably opposed to the opening up of new mines and new coal areas unless and until full employment under decent working conditions and wages are guaranteed to those already in the industry, and we believe that orderly development can be brought about only by restricting the opening of new mines until there is a definite market assured for the product and by that we mean sufficient market to guarantee five days a week employment to the mine workers.

During the depression years prices of coal were depressed to the place where many operators were unable to keep their development up to a point of good mining practice. This should not be allowed to re-occur. The present operators should be allowed a price for their product that will enable them to operate successfully and keep the development of their property in such shape that they could meet any emergency, such as might be brought about by extreme weather conditions, or

other necessities that might arise.

Too long have some coal consumers looked upon the coal industry to come to their aid on short notice with a fuel supply, but neglect to give the coal industry generally the consideration it deserves in normal times. We have witnessed mines lying idle for months at a time, or working short time, and then on very short notice, are expected to fill the requirements to the consumer at peak production for a short period. This refers particularly to the railroads and we see no reason why large consumers of coal cannot estimate their requirements and allow the industry to function normally over the year instead of requiring peak production for three months and then little, if any, in the intervening months. This tends to increase the cost of production, and certainly is not only grossly unfair and unjust to the operators but to their employees who are expected to sit around or barely exist for periods of months in order to be ready to meet the convenience of the coal trade when they desire increased supplies.

Such a condition cannot, and in our judgment, will not be tolerated again, for with the co-operation of all the parties concerned, it would require only orderly planning and orderly marketing methods to eliminate this abuse.

We recommend that steps be taken to correct this condition in the mining industry.

NANAIMO COAL AREA

(Nanaimo, British Columbia)

Production in this area has been declining through the years from its peak in 1922 when 3,384 men were employed to the present day when the industry is employing approximately 500 men. There are conflicting opinions widespread in the area concerning the coal reserves and the possibility of the mining industry being continued successfully in this area.

The United Mine Workers of America are not in a position to come before this Commission with any definite

evidence but we do feel that an industry that has contributed so much in the past to the general welfare of the people of Nanaimo and district should not, and cannot, be allowed to pass out of existence, if coal reserves are available for the continuation of this industry.

Representations have been made to the Provincial Government in the past--and as late as August, 1944. We quote from the Brief submitted on behalf of the Corporation of the City of Nanaimo; the Nanaimo Board of Trade; the Nanaimo Rotary Club; the Nanaimo Kiwanis Club; the Nanaimo Gyro Club; the Nanaimo Kinsmen Club; the Nanaimo Branch Canadian Legion; and Nanaimo Local Union, No. 7355, District 18, United Mine Workers of America, to the Honourable G. S. Pearson, Minister of Labour of the British Columbia Government, on August 13th, 1944:

"We suggest in view of the conflicting reports, and the general lack of information directly bearing on the future of the coal industry in this area that the Government put up a sum of money for the purpose of conducting the proposed physical survey under the supervision of a properly qualified engineer employed by the Government. We have reason to believe that areas outside of those controlled by the Canadian Collieries have great possibilities and these areas should be included in any physical survey that may be undertaken.

"We are of the opinion that the British Columbia and Federal Governments have a responsibility of making sure that this natural resource which was granted the Dunsmuir interests and later passed on to the Canadian Collieries (Dunsmuir) Limited to develop for the benefit of the citizens generally, be all extracted before the Company is allowed to abandon the area, or forfeit all rights to the Crown."

Since that time the Canadian Collieries (Dunsmuir) Limited has opened up a new mine in the Nanaimo area and we understand that it is nearing commercial production.

It is our understanding that the Royal Commission on Coal has engaged the services of a competent mining engineer, and we believe that the Commission should instruct the said engineer to thoroughly investigate this area, and in addition thereto the Federal and Provincial Governments should make an exhaustive survey in conjunction with the Commission's engineer to appraise definitely and conclusively the extent of workable coal reserves in the Nanaimo area.

BY THE CHAIRMAN: Wouldn't it be necessary, before we sent in an engineer from our Commission to investigate, that we would have to have some proper idea of the geographical, geological conditions there as to the reserves and where they are to be found?

MR. BOYD: I believe that could be secured from the Provincial and Federal Governments, couldn't it?

BY THE CHAIRMAN: Unfortunately I am afraid the province of British Columbia is in the same category as many of the provinces: they have no accurate idea of their coal reserves, and that is especially true, I think, of British Columbia. We will do everything we can to investigate that, but it wouldn't be very much good to send our engineer down there.

MR. BOYD continues brief:

If the reserves are found to be of such a nature and supply that they can be successfully operated, either the present holders of the coal rights should immediately develop these reserves or forfeit their rights to the Crown, and make such areas available to any responsible operating company who will be prepared to operate them in order that the coal from the Nanaimo area, for which we believe there is a ready market, be made available for the residents of the West Coast who for years have purchased this coal in preference to com-

pecting coals.

On the other hand, if it proves that most of the extractable coal has been removed from the area, and this can be definitely shown by competent mining engineers, then the people who have depended on the coal industry for a livelihood will accept the inevitable and will take steps to move from this part of the country to other coal areas or rehabilitate themselves in some other line of work.

To us this is a most reasonable request as it is only fair that those who have invested their money and life-time savings in homes in this area with the feeling and hope that the coal industry would be a continuous one, should know the facts and we trust that your Commission will give earnest consideration to our plea and act as expeditiously as possible to ascertain these important facts that have so long been a matter of conflicting opinions and argument.

CLOSED CAMPS

In Western Canada there are several "Closed Camps" where the Coal Company owns the miners' houses, the stores and all buildings in the community. We believe that this system should be abolished and that an end be put to this "closed-camp" system immediately.

Many of the houses in these Closed Camps are old and in a bad state of repair. Provision should be made immediately for building lots to be made available to the workmen in order that they may have their own homes, and under the National Housing Act an opportunity will be made available for them to finance such undertakings.

In fairness to some of the Companies who operate "Closed Camps", there are those who have made an effort to keep them in a fair state of repair and who make certain alterations and repairs from time to time, but this is not the general rule, as the Commission may find out by its observation of certain Closed Camps in Alberta and south-eastern British Columbia.

BY THE CHAIRMAN: May I interrupt again? Haven't the coal companies that you call "closed camps", haven't they made those houses available to the miners to purchase?

MR. BOYD: Not to my knowledge, sir. Some of them have, but others have not. (Continues brief):

Another matter which is of paramount importance in coal mining industries concerns the water supply and sanitation generally. In many of these camps the installation of proper sanitation facilities has too long been delayed, for most of the Companies could well afford better accommodation for their employees and provide better facilities to meet their sanitary requirements than those which are today in existence. The day of having the front streets decorated with rows of "privies" should be long past, and greater care must be given to modern sanitation methods in the interests of the health of the people whose lot it is to live in these communities.

BY THE CHAIRMAN: Shouldn't that be a burden on the Municipalities themselves, to look after the health of the community?

BY MR. FRAWLEY: There are no Municipalities in most of those places.

BY THE CHAIRMAN: Surely there is a health authority, if there isn't a Municipality.

BY MR. FRAWLEY: The Provincial Health Authority.

MR. BOYD continues brief:

We, therefore, ask this Commission to recommend to the proper authorities that this condition be abolished and that, as along as the Company owns all the land and houses in the mining camps, they should be compelled by law to build proper water dams and instal proper water and sewage disposal systems.

We also recommend that all Closed Camps in Alberta and British Columbia be declared "Open Towns", and the miners working in the mines be allowed to either purchase some of the Company' houses, or buy land on which to build their own homes.

We further recommend that these towns should be open to outside business interests who desire to operate within their limits.

BY MR. FRAWLEY: You want a closed shop but an open town?

MR. BOYD: That's the idea. (Continues brief):

WELFARE FUND

The fact that the coal mining industry is a hazardous one is well known to the members of this Commission, and that coal mining communities lack the facilities that are provided in larger centres must be obvious to you, Sirs, from even casual observation of coal mining communities in Canada. With this in mind, the United Mine Workers of America, therefore, recommend that a "Mining Industry Welfare Fund" be set up by means of a royalty on all coal produced, to which the Provincial Governments should contribute out of the royalties they are now receiving on coal. This Fund could be administered by a Board with employer and employee representation, as well as representation from the Government of the Province in which it operates.

BY THE CHAIRMAN: I would think they should have some say in its operation if they are going to supply the money.

BY MR. FRAWLEY: This didn't just filter across from Washington, did it?

MR. BOYD continues brief:

We believe that this would not work a hardship on the industry as many operators are now charging a per-ton depletion cost on extracted coal which they are merely leasing from the Crown and do not own outright. We contend that this charge is unjustified and yet it is allowed to continue.

Part of the Fund should be applied to research into methods of improving health and safety of the workers in and around the mines. Part should be diverted for recreational purposes--libraries, playgrounds and swimming pools, etc.,

and to generally improving the well-being of the community. We believe that such a plan is in operation in Great Britain and has proved its value.

BY THE CHAIRMAN: Of course you haven't got in this country yet any rehabilitation difficulties? There are none of your mines that have been closed down entirely where communities have grown up?

MR. BOYD: There has been, yes.

BY THE CHAIRMAN: I often think--as a matter of fact I suggested in Nova Scotia--that a fund should be set up, provided by not only Government but Industry, to take care of the rehabilitation of people living in mining communities which have been absolutely closed out of business. It is something along your own lines, but my idea was rehabilitation.

MR. BOYS continues brief:

RETIREMENT PENSIONS

Retirement pensions are now generally considered by enlightened industrialists as a right to employees who have given long years of service to an employer, and if there is one industry in Canada, or for that matter in the world, where the employees are entitled to such consideration, we say without hesitation that the mining industry should be the first to qualify. The only pension scheme that we know of in existence today in the coal mining industry in Canada is that which was originated in Nova Scotia by the Dominion Coal Company, Limited, and while it is said to be totally inadequate, it at least establishes a principle with which we are in hearty agreement.

If an arrangement could be made whereby the industry, the Government, and the employees could subscribe to a pension scheme based on years of service within the industry, as well as on an actuarial basis, making it possible for employees to change from one employer to another within the industry, rather than on the narrow basis of employment by one particular Company, such an arrangement would, in our judgment, allow men

to leave the industry on reaching a stated age and thus leave vacancies enabling younger men in the community to take their places, instead of the prevailing rule today that men engaged in the mines in many cases must continue far beyond the time when they should have been able to discontinue working at that hazardous occupation.

We ask your Commission to give serious consideration to this important problem and trust that you may be able to recommend a suitable solution.

SUMMARY

1. The United Mine Workers of America are definitely opposed to the placing of a premium on the development of uneconomic properties at low wage rates.

BY THE CHAIRMAN: I suppose perhaps Mr. Frawley will be examining you on that. I don't understand: "are definitely opposed to the placing of a premium on the development of uneconomic properties at low wage rates."

MR. LIVETT: We have the situation, sir, where people have thought that a mine was all right and they have gone in to open properties adjacent to the coal mines but have found when they got in that in order to keep the men employed that they had got, which was a small number at the time, applied to us for reduction in the wage rates in order that they would be able to operate. We told them that we did not intend to put a premium on properties by low wage rates.

BY THE CHAIRMAN: What you mean by the premium is the cut they asked?

MR. LIVETT: Yes, cut rates.

MR. BOYD continues brief:

2. Industrial relations vary directly with employment conditions but on the whole, and in comparison with the rest of Canada, are good.

3. We recommend that a National Fuel Policy be brought into being; also the setting up of voluntary central selling agencies.

4. We recommend that the Government assist the coal industry by Freight Subventions, to be permanent for at least a ten-year period, and sufficient to allow Alberta coal to move to the Ontario market.

5. We recommend that a thorough investigation be made into the question of freight rates on coal moving to Eastern Canada.

6. We recommend that a Dominion Fuel Board be established and clothed with authority to regulate and assist the coal industry.

7. We reiterate that the United Mine Workers of America are opposed to the opening of any new mines or mining areas until markets are first secured for those already in operation.

8. We recommend that the larger consumers of coal, by orderly planning and marketing, estimate their needs in order to eliminate spasmodic operation.

9. We recommend that the Nanaimo coal area be surveyed by engineers working for the Commission, the Federal and British Columbia governments, with the purpose of appraising the remaining coal reserves.

10. We recommend that the "Closed Camp" system be abolished and the inhabitants allowed to build their own homes; also that the mining communities should be properly planned and modern draining and sewerage systems installed.

11. We recommend the establishment of a Welfare Fund out of royalties on coal.

12. We recommend the adoption of a pension scheme to cover employment within the industry rather than with one particular employer.

Respectfully submitted on behalf of

UNITED MINE WORKERS OF AMERICA

DISTRICT 18

ROBERT LIVETT, President

EDWARD BOYD, Acting Secretary.

EDWARD BOYD and ROBERT LIVETT sworn by Chairman.

BY THE CHAIRMAN: You both gentlemen heard what I said yesterday about opinion evidence. If you are offering opinion evidence I hope that you will have a proper basis for it, and information evidence that you got it from an authority that you believe.

EXAMINED BY Mr. Frawley.

Q Now, Mr. Boyd, this central selling agency that you speak of. That is to be established under the aegis of this resuscitated Dominion Fuel Board. On page 13 you put these central selling agencies with the Dominion Fuel Board. I wonder if you would elaborate on that?

BY COMMISSIONER MORRISON: Mr. Stubbs, the Chairman was asking for you at the opening of the session, so as you are leaving---

MR. STUBBS: I wasn't leaving.

BY THE CHAIRMAN: I was going to ask you about the capacity production of your mines in normal times under normal conditions. What is your capacity for the mines that you represent?

A Well, we show at the present time 14,500 tons of saleable coal per day.

Q I am not talking about that. That is your present production?

A That's right.

Q What is your capacity?

BY COMMISSIONER McLAURIN: Total capacity for existing mines?

BY THE CHAIRMAN: For existing mines under normal conditions?

BY MR. FRAWLEY: All of his mines in one figure?

BY THE CHAIRMAN: It will only be approximate.

MR. STUBBS: We will get those figures for you, and if we don't provide you with sufficient information you can ask us to elaborate and we will do the best we can for all the mines across the board, and then as far as we can for individual mines.

BY THE CHAIRMAN: I am not really interested in the individual mines. What we want is the capacity of the mines. We will ask the same question of the other operators when they come.

MR. STUBBS: I will get that for you, sir.

MR. LIVETT (to Mr. Frawley): In answer to your question, we have found it necessary to suggest this sometimes in our negotiations with coal operators, because we have found that by individuals going out and selling, and always very eager to get the trade, there were practices indulged in that we didn't think were right for the industry as a whole.

Q Would you think a saving to the operator could be brought about if a central selling agency was used?

A I think so.

Q And the middleman eliminated?

A I think so.

Q How do you tie in the Dominion Fuel Board with that? You say: "The Dominion Fuel Board . . . should be set up . . . with authority to (1) Encourage the establishment of central selling agencies."

A Well, at the present time we know that the Fuel Board is very active. Of course we are speaking more now of a post-war proposition and perhaps some of those boards will be eliminated, but as long as they are there we think they have something to do with the price that goes on, and they might be able to help and assist in that connection, but we would rather have a sales agency set up and do away with the individual system that is now general.

Q There could be a central selling agency created by the operators in a certain district without any reference whatever to any government body, but do you favor the intervention of a government body?

A Well, we think that in spite of the condemnation government bodies sometimes get, they have been of assistance to us in many ways, and it is a neutral body and would be more

or less neutral and give service to the consumer as well as the industry.

Q Is the central selling agency which you have in mind something through which all of the coal would have to be sold, such as the Apple Boards in British Columbia, or would those be just voluntary selling agencies which would be set up by some of the operators and not necessarily by all?

A Well, we would like to see the Association to which they belong agree upon a general sales agency. Of course there may be some operators who would not be members of it and would have to have their own method of disposing of their coal.

Q Would it be a compulsory sales agency? I ask you that because I think you refer to them here as voluntary selling agencies in your summary.

BY COMMISSIONER MORRISON: He thinks it preferable to have them voluntary, if they agree.

MR. LIVETT: That is the trouble. There have been many attempts at zones and other agencies. They have attempted to get together. There has always been those that would differ with them, with the result that it has not been of any great service to the industry, in our opinion.

BY MR. FRAWLEY: I am sure the Commission is going to give every consideration to your brief. Do you favor a selling agency through which all of the coal will have to be sold to get to market?

A I think so.

Q Now on page 13 also you speak about tariffs. Your premise is that you think the present tariff arrangement is likely to continue and upon that assumption you contend if markets are to be obtained in Ontario the coal industry will necessarily require some form of assistance on a permanent basis, and the assistance that you speak of is a freight subvention?

A Yes.

Q Well now, if it should be that some of these present tariff arrangements would not continue, suppose there is a general lowering of tariffs, how would that affect your recommendation as to freight subventions?

A Well, if the condition would put them in that position where they could get in and get sale for their coal, it appears that the method now is only subventions. If it was taken away by lowering of tariffs I would not think it necessary for the full amount to be applied that is on now.

Q Suppose all the tariffs on mining machinery, mine supplies, everything that the operator needs were all reduced, to what extent do you think that would enable him to find his way into the Ontario market by lower costs?

A Not being the owner of the product I would not be able to state to just what extent it would, but I feel it would help somewhat if the cost of production were lowered; I think that would be a step in the right direction.

Q I suppose you would agree that your principal justification for claiming freight subventions is the fact that other parts of Canada are getting government aid by the high tariff?

A Yes, certainly.

Q But if those tariffs were to disappear then perhaps you haven't got as strong a case to shut out the American coal?

A Well, upon that particular score, if you would assist us in trying to get us what we would say is a square deal as far as the manufacturers in the East and West are concerned.

Now then, in the East they have all the benefits of the protection of their industry. Out here we have got the freight, and it may appear to some people that it is not economical on account of our geographical situation to attempt to ship East so far when it can come across from the United States, and it may not be politically wise to attempt to make the people of Ontario and Quebec pay more for their fuel, but if they are going to get the advantage of protection in the East then we expect it to some degree in the West.

Q In other words you say ordinarily you would accept the proposition that Ontario and Quebec is a natural market for Virginia, Pennsylvania and Ohio coals?

A That's right.

Q But you feel justified in putting some obstacles in the way of that coal coming in because of the general fiscal policy of the country which gives to Ontario and Quebec this high tariff protection?

A That is correct.

BY THE CHAIRMAN: I am like every other Canadian: I want high tariffs on some things, low tariffs on others and no tariff on others, but there is no doubt that the tariff against manufactured goods from foreign countries has built up in Ontario and Quebec a tremendously large manufacturing industry, which perhaps could not be built up without those tariffs. That was a good thing for the coal industry of this country, was it not? I know what you are going to say: Yes, if it could reach the market. Well now, wouldn't that have been a splendid time for the government of the Dominion to step in and say, We are going to help out the coal industry of this country by seeing to it that the coal producers would get all the coal they could into those markets. You are a little late, I think, in starting.

BY MR. FRAWLEY: Before Ontario got dug in?

BY THE CHAIRMAN: Oh no, not before, about the time they were at their peak, as far as peacetime was concerned, a good many years ago. So as far as the high tariffs are concerned they helped to build up a market for your coal, if you could have got to that market, but the difficulty was you couldn't get there.

MR. LIVETT: It appears to me, sir, that they would rather buy their coal in the cheapest market, and still have the protection of the tariff on the things we have to buy out West.

BY THE CHAIRMAN: Well, nobody would expect a man to pay more for his goods than he has to.

MR. LIVETT: Oh no, but industry has got to live.

BY MR. FRAWLEY: You have a paragraph here, also on page 13:

"We believe that this is justified in the interests of security and to avoid being wholly dependent on foreign supplies. The pledging of federal assistance in order to give security for the supply of commodities necessary for national safety," and so on. Now we have heard something about that in another part of Canada. How far do you want to go in talking about security, having in mind that the people to whom we have to look is the United States of America?

A Well, in that connection it has been within my memory and my time, that even with the great tonnages of coal that we have got both to the south of the border and this side, that there have been statements issued by the authorities at Ottawa, even in the last war, that when they were to buy a certain percentage of American coal they had to buy so much Canadian coal. This came along in an emergency. There was not enough coal to go around. We know that it does not happen in peace times, and if it can be done for emergency's sake I say the people of Ontario and Quebec can also apply that in peacetime. This nation should have all of its people employed rather than the Government have to come and help us out. The municipalities, the Dominion, had to keep our people. We are of the opinion that this money could be better used in keeping men employed.

BY THE CHAIRMAN: You talk about emergencies in the coal necessities of this country only in wartime. Isn't there always an emergency in this country regarding coal, the necessities of coal?

A Apparently not, when our people are idle in some parts of our industry seven parts of the year.

Q Isn't there always an emergency when we cannot supply the necessities of Canada for coal under our present development?

A I think it was said, sir, this morning, I mean by the operators, that they could fill much more than market.

Q I know, but that is not the question. We never hear of a coal emergency in this country unless there is a war on, but my opinion is that there is always, so far as necessity is concerned, there is always a coal emergency.

A I didn't get your question right at first. We have gone to Ottawa and said that an emergency was on our people.

Q And would you go so far as to say that we are entitled to the same assistance in times of peace as we are in times of war on account of that very fact?

A In fact we have said that many times, sir.

BY MR. FRAWLEY: In peacetime we import about 50% of our coal, mostly from the United States?

A Yes.

Q It is coming from the Pittsburgh seam and the big bituminous coal fields of north West Virginia and Kentucky?

A Yes. We used to get some from Ohio.

Q And it comes by a short rail haul and crosses the Lake into Central Canada?

A Yes.

Q What I am putting to you, whether or not there is anything very upsetting about the fact that the Central Canadian market is dependent on that particular coal field?

A Well to that degree, if the West could ship all the coal I think we could feed Canada. They wouldn't have to buy a pound of coal. I think there is enough coal in Canada to supply three times the present population of the country.

Q Even if there was lots of coal being developed in Canada, I am speaking of what you might call natural markets, looking at the geography of Central Canada and the United States territory immediately to the south, and comparing that with the distance from Alberta or Nova Scotia to Central Canada?

A They could always put it in there cheaper than we could.

Q So that whatever we have to do we have to do because of the fact, which is recommended in your brief, that we should develop nationally, that we should endeavor to put Canadian coal into Central Canada. I am only wanting to bring to your attention something that is quite obvious, that to do that we have to take Central Canada away from the place where ordinarily, if there was no international line, she would certainly get every pound of coal.

A That is true, sir.

Q Now you say something here that perhaps you hardly mean. You say, still on page 13: "We believe that this form of assistance is in the national interest, and, therefore, coal being shipped to the Ontario market with Government subventions would be subject to Government supervision and assistance other than the payment of subsidies." You don't mean to confine the Government supervision that you speak of there to merely the coal that moves under subvention, do you, or do you?

BY THE CHAIRMAN: I think perhaps he developed that in his idea about getting a Fuel Control set up in Ottawa.

BY MR. FRAWLEY: So that you didn't intend to limit it? You meant that to extend to the whole coal industry?

A To the whole coal industry, as far as that is concerned.

Q Now you say that certain large consumers require peak production for three months and then little if any in the intervening months. What kind of consumer are you referring to there?

A Well, it is not only applicable to one, either domestic or steam. There are times, during my working times and since I have been in office, that the C.P.R. will come along and take all your output for so many weeks, then all of a sudden it will stop.

Q You say that is not good?

A I don't think so. We are saying now there should be a

general form so we can have so many days a week and keep working steady a number of days a week, rather than steady employment for a month and off a month.

Q I don't know what the respective powers of those two bargainers are, the railways and the operators, but do you know of any reason why the operators could not insist that the railway company take the coal on a uniform basis throughout the year?

A Well, I know that the two railways of the country, sir, consume I would say between 75 and 80% of the steam coal on their railways, and it would perhaps not be wise on the part of the operator to fight his boss.

BY THE CHAIRMAN: But aren't there almost insurmountable difficulties for the railways, we will say, to take that gradual supply of coal? Well, I wouldn't say that. Say not insurmountable but very grave difficulties anyhow?

A The very fact that they have agreed that one mine would get five days a week to supply them, steady work, and others was getting two, right within a mile or two, I think if they could do it to one they could do it to another.

BY THE CHAIRMAN: Two and five are seven. That would be half a week each for all the companies. That is not solving your difficulties.

MR. LIVETT: Well, if our other recommendations are complied with, perhaps it might get down to the basis that anyone would be producing only for the market there is, then of course we will all have steady employment, that is those left in the industry, and the organization I represent wants to have everyone in our Union that is working around a mine, but we are not seeking to have a greater number than the industry will bear. We would rather have a solid organization of 6,000 than a semi-divided, out-of-work of 12,000.

Q You are no more anxious to have steady work than the operators are, I would think?

A I wasn't altogether dealing with that.

BY MR. FRAWLEY: Let me put it to you this way: Let us assume that there is going to be no more going to one mine and giving it five days a week and everybody else taking two. Let us assume that that is eliminated and that the business is going to be divided equally among ^{all} the operators. I am talking about this thing of the railways coming and saying, we only want to take your coal for three months. We were told in Nova Scotia about banking coal. Do they not bank coal in Western Canada?

A Not very much. If the operators pursued that with the railway companies I think they do carry great stocks and it amounts to just this, that they wouldn't come West and they have the stocks piled in the East, they do not shift cars West. It is more economical to take it from down there. There is no doubt they dump thousands and thousands of tons here and there around. It does not to any great degree give the steadiness of employment that we seek.

Q They do the dumping but they still only take the production from the mines for the three months you speak of here?

BY COMMISSIONER MORRISON: Of course that is pre-war you are talking about?

A Yes.

BY MR. FRAWLEY: And you anticipate post-war, unless there is something changed? I certainly regard it, as you do, as a serious matter, and I am wondering whether it is not so important, this business of having your mines idle for such long stretches of the year, that a much more concerted effort should not be made with the railways to insist. It all depends on how strong you are when you are bargaining with these railroads, that's all.

BY COMMISSIONER McLAURIN: Perhaps we might invite Mr. Levitt, as he is perhaps in a position to speak with impunity, to say those things about the railroads that the operators didn't yesterday.

BY MR. FRINLEY: You know something about the differences between the operators and the railways?

- A Oh yes. I was on a Commission with the late Justice McGillivray. His Report has been quoted. All these things were gone into at that time and it was stated there were too many miners and too many mines at that time. We are trying now if we can to avoid that. Reasons were given by the various coal operators giving testimony to that Commission, and even the railways came along with their excuses along certain lines, that they couldn't just give steady work entirely. Many reasons were given, but yet at the same time there was an opinion that they could have done better than they were doing. That is our opinion still.
- Q Since the McGillivray Commission in 1939 there wasn't any period during which you observed whether or not they were any better?
- A Well, you see the war came along and rooted things up. There wasn't any intervening period.
- Q So you do look forward to resumption of this business of saying, we want your coal for three months and then we don't care what happens the other nine months?
- A I think that was dealing too with the domestic end of it, where mines would only open up in September and close down in February.
- Q I was thinking of that. The railways took 80% from the steam mines?
- A Our steam coal, we always got so many days the whole year, around two or three days a week as the case may be.
- Q You do get aspread throughout the year?
- A We do get it throughout the year, some coal.
- Q Well then, the fact that you can only operate two days a week instead of seven, that is nothing you can charge up to the railway companies? That is just because the orders are not big enough to keep the mine in full production?

- A Of course on the other hand we do import \$50,000,000 worth of coal, up to \$75,000,000 worth of coal into Canada.
- Q What you are saying, the railways could buy more coal from you if they didn't import so much?
- A The railways and the Canadian people.
- Q It is the small householder that is not doing what the coal industry would like in his ordering of coal? That is true too, isn't it? I notice in the newspapers now there is a drive on by Coal Control to have the householder put his coal in now. That is with a view to steady production, isn't it?
- A Yes, it is. It is rather surprising, last year and the year before, the advertising the same as this, and here is our mines working two days a week.
- Q Isn't some of that due to lack of finance, lack of ability on the part of many householders to buy coal now and wait to use it next winter?
- A Well, I am not in a position to say whether the consumer is in a position to pay. I would think he was.
- Q Of course this is during wartime, but before the war wasn't there any arrangement made between the banks to help the small householder to buy the coal?
- A That was in Saskatchewan, I think.
- Q I think that assistance was thrown open to the whole country, but implied in that was the idea that without that bank credit many small householders just weren't able to buy their coal, except in the burning season?
- A There was many other things. Where they had a team of horses they didn't mind hauling a load of wood 100 miles or 75 miles.
- BY COMMISSIONER McLAURIN: Or go to a gopher mine?
- A Oh yes, there was all of that too.
- BY MR. FRAWLEY: There is no bootleg coal in this province?
- A No, not that I know of.

Q Now, Mr. Livett, will you tell us where these closed camps are? You probably know them all by heart.

A Well, some of them north--Cadomin, Mountain Park, Luscar, Nordogg.

BY COMMISSIONER McLAURIN: Is Luscar closed?

A A closed camp, yes.

BY MR. FRAWLEY: Will you explain to the Commission what that means, a closed camp?

A The company owns the miners' houses as well as all of the buildings in the community.

Q How about Michel?

A Michel is a closed town, and where the company owns the land they build the houses and they don't allow you as an employee to buy land & build a house. In some places they may give you lumber to build and if you build it is on their land and of course you have to take it off if you lost your job or else it remained their property. And you are not allowed to do business, no stores can come in with the exception of those that will get the authority of the companies. Now I think that in Michel camp down in the Crows Nest Pass, I think the Trites Company is the only general store in that part of the town. There is one further up, about a mile. The town is an open town. Now in the town of Cadomin no one can go in to do business there without the permission of the company, and they don't sell land for people to build their houses on. They are all closed camps. In fact Commissioner Morrison and myself were once ordered out of the camp. We had committed no crime.

BY THE CHAIRMAN: I am interested to know if those are incorporated towns.

BY MR. FRAWLEY: Let's take Cadomin. A. In Cadomin the company owns the land for miles around.

Q Have they acquired it by lease or do they own it outright?

A Well, I think their coal lands are leased and I don't know

just whether they got that quarter section as a homestead, or half-section. I don't know just how they acquired the land but I was informed by the manager of the mine that it was their land.

Q What would be the object, why would the company care two pins whether a druggist had to get their leave to come in?

A There may be wheels within wheels in that respect. I can't say what is behind it other than you have to be a good boy and they have got to like you before you get that privilege.

Q They are not towns really at all, are they?

A They are in the Forest Reserve.

Q They are in unorganized country altogether?

BY THE CHAIRMAN: In Michel have they got a mayor out there?

I suppose the president of the company is the mayor?

A No, no mayor.

BY MR. FRAWLEY: Is Michel an incorporated town?

A No, it is not an incorporated town; it is a village.

Q Now do you know of any cases--if they were incorporated they would not be closed towns?

A No, I don't think any of the ones I have mentioned are incorporated.

Q Because surely the Municipal Act would apply then and before you could be run out of the town the Mayor and Council would have to do something. Now have you said all you want to say about what you understand to be the point of view of the company in endeavoring to maintain their particular property without allowing anyone to come in and set up an independent business there?

A The only thing I can say in that connection is this, that once they are in the coal business some of them are in the other business. Some gives a lease to their people to run a store or something, some runs a dinette themselves.

Q In other words if the coal company had a general store then they could keep anyone else out?

A It might be in the name of someone else too.

Q Directly or indirectly?

A Yes.

BY THE CHAIRMAN: Are these communities that you are calling closed towns, they have considerable life ahead of them you think?

A Oh, I would think that they have considerable life ahead of them. I think that Michel ---

BY COMMISSIONER McLAURIN: Michel probably has 50 years.

A Yes, it has been operating now since 1904, 40 years.

BY THE CHAIRMAN: The reason I asked that question, I always think it is better for the miners not to build their own houses in communities that grow up and only have a short life.

A Yes, that is so, sir, I am very much in favor. Some of the mines that haven't got a very long future, it would be uneconomical for the miner to build his own home.

Q And of course in the first instance it was absolutely necessary for the companies to build those houses to give their miners a place to sleep and live in.

A Well, I might say, sir, I was born in a location, the first thing the company did when they sank the shaft was build rows of houses, and they were given rent free, too.

BY COMMISSIONER McLAURIN: Before you leave that subject, is it not a fact that some of the companies, in fairness to them, are making an effort themselves to wipe out the closed aspect? I mean, isn't it just one of those human problems where the miner is getting a house for cheap rent and he would rather be on a closed town basis than on an open town basis, and it is a case of leadership in the industry as a whole, both from the Union and the operators?

A I think you are right. In fact there was companies that didn't have a closed town but they had a lot of company houses and now for many years past they have sold them to

the men and the men own those houses now by paying so much a month.

BY THE CHAIRMAN: Was that the way you answered the question that I asked you, Mr. Boyd?

MR. BOYD: I believe so, yes.

BY COMMISSIONER MORRISON: Mr. Livett is talking about a different matter. I think he has reference to the West Canadian Collieries, who owned some homes in an open town, and West Canadian sold a lot of properties to the men, and in Blairmore the same thing applies.

BY THE CHAIRMAN: A closed town, the interpretation that has been given is a town owned, controlled, every property is if not owned, controlled, every business is controlled by the operators?

A Yes.

BY COMMISSIONER MORRISON: In fairness to the Luscar Collieries they have allowed building of homes up at Whiskey Creek and up around that border on the way up through Cadomin; they are all privately owned now.

A Yes, but they only get a lease on the land and I don't know just what can be done about it. It is in a forest reserve where the land can't be bought right out, but there are others that own the land. Now in the Crows Nest Pass they could sell the land if they wanted to but there may be restrictions where the mines are in parks or in the forest reserves.

BY MR. FRANKLEY: You call attention to the fact that the water supply and sanitation in these places are sometimes not very good?

A Yes.

Q Certainly the Provincial Board of Health would not stop at the fact that it is a so-called closed town before they would go in?

A They do to some degree but nevertheless--in fact of late

there was one particular mine that we had communications about, and fire took place and there was not enough water to save the burning down of the building, and also a complaint of the water being contaminated. Of course we have some locations where the water seepage in the spring of the year and all comes over and gets into the pools from where they get the water and sometimes the water has to be boiled before it is used, and we feel that there should be, where there are men working, construct a water tank of some kind that would be able to supply people with pure water for sanitary purposes also.

Q I simply want to establish the thing very clearly, that whether it is a closed town or not the Provincial Board of Health has complete jurisdiction over matters of that kind and if their inspector so reported they could insist on sanitary precautions being taken.

A I might say we have had this matter up with the Provincial Government and asked that their inspector be given the right to do this.

BY THE CHAIRMAN: I think you will have to revert to the good old English fashion and have municipal governments, especially in this province.

BY MR. FRAWLEY: We haven't got as much of it as in some parts of Canada.

BY THE CHAIRMAN: We haven't got enough in Nova Scotia, but we have a lot of it.

MR. LIVETT: There have been amendments put through giving power to the inspector to make certain recommendations, and he is looking into it.

BY MR. FRAWLEY: You call attention to something here on page 18. You say that these operators are charging a per-ton depletion cost on extracted coal which they are merely leasing from the Crown and do not own outright. How do they do that?

A Well, that is a question that I also raised when I was on the Commission. The coal lands I take it are owned by the Province. Now they used to be owned by the Dominion.

BY THE CHAIRMAN: Is that the coal lands or the coal beneath the lands?

A The coal beneath the lands. A company comes along and leases so many thousand acres. They go on to produce, open up the mine. In the development of the mine they charge capital investment and they charge depreciation on what has depreciated during that period, and they produce the coal and make a profit. After they have produced a ton of coal, coming on to the end of the year, capitalization account, they strike off a depletion cost on something that they never owned, only leased. The owners of that was the Province, and when they come to release their land again, or the coal rights, they haven't got as much to lease as they had the year before and they would be entitled to wipe off a lot of their holdings, and we take the position that the depletion cost by the leaseholders is not a proper charge.

BY THE CHAIRMAN: Perhaps you would answer me this question. I come out to this Province tomorrow and I want to lease certain coal lands. Does that mean I get a lease of the coal?

BY MR. FRAWLEY: That's right.

BY THE CHAIRMAN: Suppose that a farmer owns the land, can a company come in there and start operations without buying that land?

BY MR. FRAWLEY: Oh no, they have to get access to it. You make some arrangement with the farmer to get access to your coal bed.

Mr. Chairman, Mr. Stubbs says he has a sheet of paper here with the information which you asked for.

BY COMMISSIONER McLAURIN: I am not being disturbed about the depletion. Under present circumstances of income tax depletion is about the only thing the operator has left. As

he exhausts the coal he exhausts his asset.

BY MR. FRAWLEY: As far as I am concerned, the Commission accountant, Mr. Morrison, will make a submission to the Commission, a review of what those provisions are, what the statute says, what the departmental rulings are.

MR. STUBBS: In connection with the survey we had made with respect to reserves developed, etc., that is in our brief, we were also asked for information as to the potential producing capacity of mines with their present equipment and development but with a sufficient labour force. That figure is submitted as 24,700 tons per day. Now it should be borne in mind that this is with present equipment, but any one of those mines is capable of further expansion if the need arises.

BY COMMISSIONER McLURIN: Did you extend that? I would like the yearly figure. Assuming 275 days operation I suppose I could do my own multiplying.

MR. STUBBS: If you multiply that by 250 days it gives you 6,175,000 tons. And our existing production for 1944 was 4,120,000, somewhere in the neighborhood of that.

BY COMMISSIONER MORRISON: In other words, you could increase it by 2,000,000 tons?

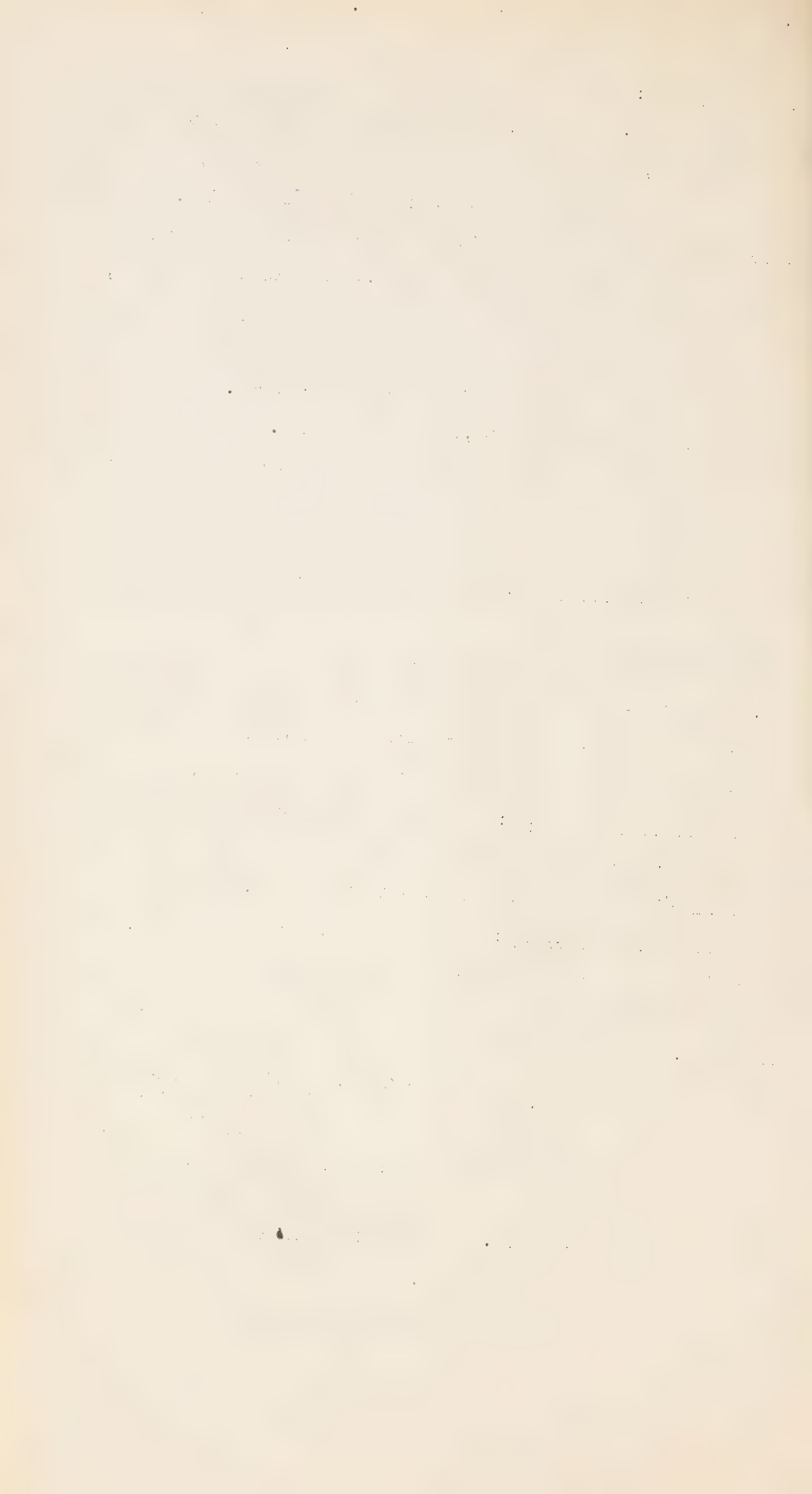
MR. STUBBS: Yes, with sufficient labour force.

BY COMMISSIONER McLURIN: And right today you are producing for wartime about a million and a half tons more than in peacetime?

A Quite.

Exhibit 123 - Statement showing potential daily production of mines of The Western Canada Bituminous Coal Operators' Association

4.35 P.M. - COMMISSION ADJOURNED



ROYAL COMMISSION ON COAL

Calgary, Alta., April 5, 1945.

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ROYAL COMMISSION ON COAL

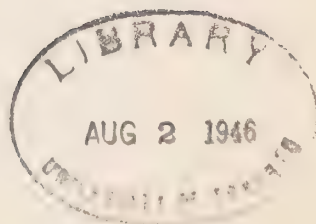
Calgary, Alta., April 5, 1945.

LIST OF EXHIBITS

Exhibit No. 125 - Brief submitted by Drumheller
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Exhibit No. 126 - Brief submitted by Domestic
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ROYAL COMMISSION ON COAL

Calgary, Alta.
April 5th, 1945.

The Commission convened at the Court House at 10:00 A. M. on Thursday, April 5, 1945.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary

MR. R. LIVETT takes the stand. Ex. by Mr. Frawley

Q. Mr. Livett, there is one more thing I wanted to ask you about, your paragraph about Retirement Pensions on page 19. Are there no pension schemes in force in the coal mines in this area?

A. Nothing except the Old Age Pension.

Q. That has nothing to do with the coal mines?

A. The coal miners have something to do with it.

Q. Are there no contributory pension schemes in the coal mining industry?

A. No.

Q. Contributory or otherwise?

A. We have not got around to that stage yet. Are you asking of all the employees around the mine? We are only speaking from our side as representing the workers under our jurisdiction. There are employees in the mines that the Companies do carry out some kind of pension, with their official staffs?

Q. We will go into the West Canadian Collieries in Blairmore.

A. Yes.

Q. Do we find anyone on that payroll, from General Manager to Office Staff and Miners, that are enjoying anything like a pension scheme?

A. I could not say to be sure about that; they do pension some of their employees off, but not the people under our jurisdiction.

Q. And you have no particular knowledge of the details of the pension scheme, such as it might be, with respect to the fire boss?

A. It varies.

Q. But you don't know if it is contributory?

A. I don't know that it is.

Q. Does that situation pertain generally throughout the coal mining industry with respect to which District 18 has a contract?

A. I could not speak for all companies.

Q. But generally speaking there is no pension scheme in the coal mining industry?

A. There is not.

Q. How long has coal been mined in Alberta?

A. We were organized in 1903 and mines were in operation some time previous to that. I would say Lethbridge, almost 50 years or more.

Q. The coal mining there was started by a Civil War Veteran. Lethbridge Collieries pension scheme being part of the Canadian Pacific Railways.

BY THE CHAIRMAN - I think what the witness says is that there is no pension scheme, contributory or otherwise, affecting the workmen, the miners of Alberta.

A. Right.

BY MR. FRAWLEY - I do know something about the C.P.R. pension scheme. It does not apply to the Coal Mines Department?

A. Not that I know of.

Q. Have you filed a copy of District 18 Agreement?

A. I don't think so.

Mr. Boyd agreed to file all agreements.

BY THE CHAIRMAN - Was there any attempt made, by conference or otherwise, to have established a miners pension scheme here? Did the U.M.W. make any effort, or the Company make any effort, to get together and set up some sort of pension scheme?

A. Not of late, I can't say we have. I don't remember of making applications or negotiations.

BY MR. FRAWLEY - You have had dealings with the National Labor Relations Board, headed at the moment by Mr. Justice O'Connor?

A. Personally I have not. Some of our representatives have.

. I want your views on your relations with that organization, and your views as to the usefulness of continuing that sort of thing post-war.

BY THE CHAIRMAN - O'Connor did pretty well did he not? Was he not the one that gave the dollar a day?

BY MR. FRAWLEY - That was before, in another capacity.

BY MR. FRAWLEY (continued)

. How about the National Labor Board?

A. We have had something to do with that.

Q. What do you think of the continuation of a body of that kind post-war?

A. I have had no dealings with the present set-up of the Board, but we had dealings when Mr. McKay was Chairman, and we found that the dilly dallying attitude and delay in getting decisions was irritating and caused very much friction within our own ranks, and we didn't know - or you might say we ignored them; but we would rather have our business handled by Mr. Justice O'Connor.

BY THE CHAIRMAN - That has to do with the personnel. But what we want is the advisability of having such a Board that either the miners or the company could go before.

A. I can only give you the opinion of our convention. We are unanimously against the War Labor Board.

BY MR. FRAWLEY - It is functioning largely because of the war. Probably in peace time it would be Provincial. What would be your views of Provincial bodies of that kind?

A. We did ask for certain bodies, like Coal Controller in the last war, and there was a man, a Mr. Armstrong, who was the Western representative of the Government, and he had power as to price and settlement of disputes, and we agreed on that, and he was the Director of Coal Operations and could tell the

companies what to charge and to say with an increase of so much to the miner. We asked for that from the government but we did not get it, we got a different kind of Board.

BY COMMISSIONER MORRISON - Generally speaking the policy of the U.M.W. is that they prefer a system of collective bargaining, sitting across the table with the operators and settling their own affairs in that way?

A. As Mr. Stubbs said the other day, that he didn't want any controls, they could take them all off. That would be our position provided we had a free hand too to settle our disputes.

BY MR. FRAWLEY - In peace times you have certain Provincial Labor Relations Boards functioning. Do they function in respect to your industry?

A. Not in peace time.

Q. Have you been exempt from the operations of the Board in Alberta?

A. In peace times?

Q. Yes, I am speaking of peace times. Eliminate the Federal controls as being of war time origin, and take your mind back to peace time, both pre-war and post-war. Have you been subject to Provincial regulations of that kind?

A. No, I think our matters were handled through the Industrial Disputes Investigation Act.

Q. That was not surely Federal. In peace time was that Federal?

A. On yes.

Q. There has been always the Federal Statute, and you were subject to the Federal Statute?

A. Subject to investigation, and when the decision was arrived at, either side could accept or reject it.

Q. But you were not subject to Provincial legislation of that kind? A Provincial Act?

A. No.

Q. Therefore you were not subject to the operations of what is called the Provincial Labor Relations Board?

A. No.

. You were at all times, in peace times as in war times, subject to Federal legislation?

A. Yes. We could not cease operations without going to a Board; the Investigation Act.

Q. The Federal Industrial Disputes Investigation Act?

A. Yes.

MR. V. A. COONEY takes the stand. Exd. by Mr. Frawley

Q. Mr. Cooney, you are the Secretary of the Drumheller Coal Operators' Association?

. Yes sir.

Q. I understand you will also be presenting the Brief of the Domestic Coal Operators' Association of Western Canada?

A. Yes.

EXHIBIT NO. 125 - Brief submitted by Drumheller Coal Operators' Association.

MR. COONEY then reads Brief, as follows:

1. GENERAL

The Drumheller field is situated 88 miles by Provincial highway, north-east of the city of Calgary, and the mines are spread along both shores of the Red Deer River from Nacmine which is approximately four miles west of the city of Drumheller, to East Coulee fifteen miles east of the city of Drumheller. The field embraces a number of communities centering around some 25 coal mines. From West to East, these communities are Nacmine, Midlandvale, Newcastle, Drumheller, Cambria, Rosedale, Wayne and East Coulee. The importance of the Drumheller field has been well expressed in the following paragraph of Professor Joan A. Allen's Research Council of Alberta Report No. 34, Part V, entitled "Coal Areas of Alberta" published in 1943,

"The Drumheller coal area is the most important coal producing area in the Edmonton formation. In 1941, there were 1,458,455 tons of coal produced from about 25 mines. This represents 60% of the entire output of the coal from the Edmonton formation in that year."

In 1943, the field's output of 1,808,708 tons represented 54% of the domestic coal mines in Alberta, and almost 24% of the total amount of coals of all kinds mined in Alberta.

The coal from the Drumheller area has, in the few years in which the mines have operated, achieved a very wide and favorable reputation as one of the most efficient and desirable household fuels known in Canada.

It has acquired this reputation through inherent qualities, not altogether exclusive, but present in a combined form, peculiar to this field. These are cleanliness of burning and freedom from soot; high thermian efficiency, which enables our coal to compete successfully with many fuels with higher classifications, in any form of domestic fuel service and in many forms of industrial uses.

Its free burning qualities, which respond readily to draft, together with its property of holding fire for long periods when the draft is closed.

The fact that this coal never goes out until all burned up, and leaves comparatively low ash, recommends it to users who have spent time sifting dirty ashes, salvaging half burned fuel.

The population of the Valley along the Red Deer River from Macmine to East Coulee inclusive is approximately 9081, of whom it is estimated about 6,000 are mine workers and their families.

Attached hereto and marked Exhibit "B" is a tabulation of the average number of persons employed in the mines during each of the years 1930 to 1944 inclusive.

The mines are largely operated by individual interests and no one interest controls more than two mines. Sixteen of these mines are associated under the title "Drumheller Coal Operators' Association", and attached hereto and marked Exhibit "C" is a list of the associated mines and the names of their respective companies. The Association does not take any part in actual mine operations and exists for the sole purpose of protecting and fostering the mutual interests of its members.

In the period from 1930 to 1943 inclusive, the mines in the field worked an average of 158 days each year, producing

an average tonnage of 1,331,966 tons. It should be noted that the number of days worked includes all days worked even when only part crew worked. To obtain the number of days worked fully it is generally accepted that 40 days should be deducted from the year's totals shown in Exhibit "D" attached hereto. The true average of days worked would then approximate 120 days. During the war years the mines have worked more steadily than in peace time."

BY COMMISSIONER MORRISON - Apparently the Drumheller Coal Operators' Association's Secretary approved of the work done by Drumheller?

A. The Secretary does not make the policy, he is merely the work horse.

Q. But as the work horse the approve of it.

A. The purpose of saying that is that we did not want to repeat some things which are in the other Brief.

BY THE CHAIRMAN - You are within the Domestic Coal Organization?

A. Yes sir.

Q. Is there any particular reason, I am not complaining about it at all, but is there any particular reason why you not have made a common brief?

A. Yes sir.

Q. I would like to get it, in a word.

A. Yes, there are different conditions in the different domestic fields.

Q. As to?

A. As to the actual operation of mining and of markets and their variation in characteristic in Drumheller, you have mines close together, some 25 mines which are in one association, but other domestic fields do not belong to any association because they cannot market their coal along the same roads.

BY COMMISSIONER McLAURIN - The great division is that Devon only market locally, whereas Drumheller has a market in Saskatchewan and even in Ontario.

a. Correct.

2. And that creates a divergence of interest?

a. Yes.

BY THE CHAIRMAN - It is not a case of competition to get markets?

A. There has been competition in the domestic field, yes sir.

MR. COONEY continues Brief

The Drumheller Coal Operators' Association heartily endorses the submissions made to the Royal Commission by the Domestic Coal Operators' Association. Most of the considerations contained therein would appear in the submissions of the Drumheller Coal Operators' Association were it not for the fact that such points have been already dealt with in the brief of the broader Association.

Further aspects of the Drumheller field might well be considered under three headings:

1. Population
2. Extent and life of coal deposits.
3. Post-war Planning.

Each of these headings are briefly dealt with as follows:

1. Population

Conditions are such in the Drumheller field that a very great increase in population might adequately be cared for through proper planning and on condition that coal deposits are sufficient to provide coal for many years to come. Over the fourteen year period from 1930 to 1943 in servicing the prairie market, the Drumheller field was able to work an average of 120 to 150 days per year. If this working year could be increased to at least 200 days per year, a considerable development in coal mining itself might well be expected with consequent growth as a field of employment, providing for a substantial increase in population in the area.

2. Extent and Life of Coal Deposits

No scientific exploration of the area has been made

and in endeavoring to estimate the extent of the coal deposits, several aspects must be considered. Mineable coal resources might well become known through a systematic drilling program extending into the hills on either side of the Valley to a maximum distance of five miles. Under present mining conditions, this five mile limit would be the maximum haulage length upon which a mine could be maintained economically. A further systematic program at a future date might well be undertaken beyond such five mile limit in order to ascertain the value and extent of coal deposits beneath the farm lands. The mining of such coal would have to be done down through the soil from the top. It would have to be hauled out after new rail lines had been provided; or in the alternative, heavy roads if trucking were to become a feasible and economic operation.

Today the coal resources of the Drumheller field itself defy estimation because of the lack of true exploration. From the very nature of the terrain, much mineable coal is apparent. Its thickness and quantity in any particular spot is indefinable except by drilling. In Report #84 of the Research Council of Alberta, Professor Allen states, -

"Drumheller area is an important coal producing area and it is reasonable to anticipate that much mineable coal has not yet been discovered within this area."

It is submitted that the Commission should strongly recommend that the Provincial Government enter upon a systematic drilling program for exploration purposes in order that the true nature of coal deposits may be ascertained. It is submitted further that such exploration should be made at Government expense but that anyone who then wishes to obtain a lease on properties for coal mining will be required in addition to the rental, to pay the cost of exploration in that area.

The effect of such a systematic drilling program would be to provide dependable information which would influence land values and give both mineworker and businessman a greater feeling of security respecting local investment.

3. Post-War Planning

This aspect is dealt with in full from a general standpoint under the heading "Economic Importance of Coal Mining in Drumheller".

From the standpoint of the mines themselves postwar planning requires:

- (a) governmental assistance through official rehabilitation channels to encourage returning men to enter the coal industry. Such assistance would involve the establishment of training courses and apprenticeship programs.
- (b) that market prices of coal be maintained at levels sufficiently high at all times to provide for cost of production which would include a proper livelihood to the miner, a reasonable return on investment.

Existing conditions which permit increase in production cost and wages, without ceiling price adjustment, violate fundamental economic laws.

- (c) provision for marketing of coal at prices which can compete with imported coals to an amount of production which would secure for mine and mineworker an adequate working year.
- (d) satisfactory system of preventing and settling disputes between mine and mineworker.
- (e) that the Unions take a greater interest in educating the mineworker towards more economic and healthful living and foster efficient workmanship.
- (f) financial assistance to the mines to encourage the purchase of new equipment, development, mechanization, and more efficient mining methods.
- (g) exploration through systematic drilling programs.
- (h) financial assistance to correlated programs of research into hydrogenation, briquetting and by-products."

BY THE CHAIRMAN - Apparently this is like other problems, they depend too much on the survey of Canada to help them out in exploring the deposits of coal? Apparently they have not been doing enough exploration.

A. There is no definite way of knowing how much mineable coal is there, and it could be done we submit by a systematic drilling program.

BY THE CHAIRMAN - That is the case the world over.

MR. COONEY continues Brief

"It may be found that for the purposes of the National industrial development or from rehabilitation aspects, the mines should receive financial support during the postwar period to enable them to equip themselves for most efficient operation and most economic production.

In addition to all that has been said advocating more complete research and development of by-products, it is submitted that this is in the nature of true postwar planning and that coal operators be provided with advice and opinions in various fields as to the advisability of manufacturing by-products or providing them with information and research findings towards the greater and more economical utilization of coal through central heating plants, cleaning plants, briquetting plants, etc.

II - PRODUCTION

A. Duty on Mining Machinery

Much progress could be made if the question of duty on mining machinery coming into Canada were to be handled from the standpoint that coal mines should be encouraged to develop and modernize towards more efficient production. The manner of levying or assessing duties is not sound. The matter of importing a coal cutting machine provides one illustration of the weaknesses which exist in the present assessing of duty. The ordinary use of a coal cutting machine requires that it be moved from one room to another on wheels and a special truck base peculiar to a coal cutter, is fashioned to allow the cutter to slide down and fit itself properly to the face and when the operation is completed, it is returned to its former position and hauled out. Customs duty is assessed on the coal cutter itself under the classification "mining machinery". However, the truck portion of the machine is classed as a truck and on this portion they assess an additional duty of 17½% and do not class it as mining machinery. The cost becomes greater when 11% exchange, 10% war exchange

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V. A. Cooney

tax and 8% sales tax are added. Similarly, coils for coal cutters are being charged up to 25%, wrenches are cleared at 25% duty, bolts at 25%, and ball bearings at 17½%, all being charged with the extra duty over 10%, although they are integral parts of mining machinery. Generally speaking, it is estimated that the cost of mining machinery to Canadian mines is 50% higher than to United States mines."

(And I may add in there Sir, that the cost of mining machinery to Canadian mines is 50% higher than that to United States mines who are selling coal in Canada.)

BY MR. FRAWLEY - Not against Drumheller competition?

A. Oh yes.

MR. COOLEY continues Brief.

"We are informed by competent mining machinery authorities in the United States that most of those items upon which excess duty is charged are not manufactured in Canada and moreover, it is unlikely that they will be, since the demand for such machinery in Canada does not merit their manufacture in Canada.

It is submitted that these excess duties are not protecting any Canadian industry nor are they encouraging the establishment of an industry in Canada; their only effect being to retard and discourage the modernization and mechanization of coal mines so important to efficient mining."

BY THE CHAIRMAN - Do you agree with the gentleman yesterday that gave evidence, I think it was Mr. Stubbs, that the great change was made about 1927 or 1928 in mining machinery?

A. I cannot speak authoritatively on that, but I did understand that some changes were made, but they were later negated by the addition of more tax of other nature.

Q. 1935 - that is the parts?

A. That is right.

MR. COONEY continues Brief.

"It is submitted that the Canadian Government in

assessing such excess duties is harming itself economically because of the loss in mining efficiency. Increased efficiency would eventually lower the price of coal to the consumer.

B. Taxation

1. Assessment.

It is submitted that the method of assessing coal mines should be upon a more uniform basis and the present arbitrary basis is not conducive to the obtaining of a true assessment. It is submitted that on undeveloped lands a modest assessment should be made to a maximum of \$5.00 per acre until coal is proven.

2. Leases.

Where a mine has had an entry through one portion of a section of land and the lease covers that portion of the section, together with other portions; and the particular portion of the section has been worked out and a new entry made through a new section under the same lease; the mine is forced to pay rental under the existing system on the worked out portion of the lease for the full duration of the lease itself.

It is suggested that some remedy be obtained and recommended that where a section or portion thereof has been worked out, no further acreage payments should be made on that portion of the lease.

At the present time, some mines are being faced with the liability of paying as much as a thousand dollars a year on acreage which has been worked out, merely because that acreage is contained in the same lease as the balance of the land being worked.

3. General

It is submitted that provision could be arranged for permitting the mines to retain a substantial portion of their revenue in good years to protect them against slack period losses in other years and to enable constant programs of development and progress toward more efficient production to be undertaken.

C. WORKMEN'S COMPENSATION

Attached hereto and marked Exhibit "E" is a record in graph form of the annual rates chargeable to coal mines as a percentage of the annual payroll for each of the years 1930 to 1944 inclusive.

The graph shows a steady increase in the Compensation rate over the fourteen year period and the costs of compensation itself, benefits, pensions, medical aid, together with administrative costs, have been borne by the industry itself. Today the rate is almost 200 percent higher than it was 15 years ago and the present high rate is levied on a far greater payroll than was the 3.75 rate of 1930. (It is now 11% Sir, as shown in that exhibit). It is submitted that the Compensation rate assessed upon coal mines is today higher than it should^d equitably be. It is by no means suggested that benefits be reduced but it is submitted that the industry itself should not be completely saddled with a cost which should^d rightly be taxable at least in portion against the consumer for whom the coal is mine^d. If the consumer benefits from the mining of coal, he should be partly assesse^d in the price of coal for the cost of producing the coal. Workmen's Compensation assessment is a production cost item."

BY THE CHAIRMAN - That woul^d put the cost of your coal up, would it not?

A. That would put the cost up.

BY COMMISSIONER MORRISON - Where^do you suggest it is coming from now?

A. There is a question as to whether your price of coal inclu^des today all your cost of production.

BY MR. FRAWLEY - You mean today under wartime control?

A. Yes, particularly.

MR. COOLBY continues Brief

D. LABOUR RELATIONS1. Rights an^d Responsibilities

Labour an^d its unions are continually pressing for

their rights and have done so constantly for many years."

BY COMMISSIONER MORRISON - And I suppose will continue?

A. I hope so, Sir.

MR. COONEY continues Brief

It is submitted that in this regard firstly, labour and its unions must be prepared to recognize the truth of the philosophy that he who claims rights must be prepared to accept the responsibilities which go hand in hand with those rights."

BY MR. COONEY - Mr. Chairman we would like to delete from the top of page 10 down to the end of the second paragraph, where it says "the guidance of the working man, about 3/4 way down the page.

BY THE CHAIRMAN - Have you the right to delete anything in a brief presented to us, without asking us first?

A. My words were "we would like to" with due deference.

BY MR. FRAWLEY - Is it because it is not apropos at the moment?

A. One thing is that our operators feel that it is embarrassing to the Union because of the fact that we are endeavoring to speak about what a man should do with his money after he earns it, and we perhaps have no right to do so.

BY COMMISSIONER McLAURIN - In other words you don't like it?

A. That is correct.

BY THE CHAIRMAN - Why should you delete this: "Labour constantly points to living conditions in mining camps as an indication that the mine-worker is entitled to more pay. Higher wages alone will not create better living conditions." You believed that when you wrote it?

A. Yes sir.

Q. Then why should you delete it? However, go ahead.

A. We would prefer to delete it if we may sir.

BY THE CHAIRMAN - I will see about it as far as I am concerned. However, you need not read it.

MR. COONEY continues Brief.

Furthermore, it should be the responsibility of the Union to obtain a decent living wage for the man, but at the same time, they should see that the man performs his work steadily and efficiently. When

the labour supply was extremely deficient in the domestic coal mines in the early winter months of 1944 and 1945, there was a claim that absenteeism had developed to an alarming degree. It is submitted that it is the Union's responsibility to see that the men earn the money they receive as well as merely ensure their receiving it.

The average age of manual employees engaged in coal mining is in excess of 50 years in Alberta and there is great difficulty in obtaining the services of younger men unless the industry better's itself to the extent that young men will want to be employed in coal mining. The average age of coal miners will increase and within a generation there will be too few coal mine workers. The establishment of an apprenticeship and training system jointly fostered by governments, operators and unions appears to be essential, combined with a program designed to encourage men to enter the coal industry.

2. Settlement of disputes.

All the difficulties which confront the coal industry and hamper its effective operation are not caused by so-called major aspects of production and distribution. To a greater extent than in many other industries there is a steady flow of petty disputes between the employer and employee. In the world of domestic relations it has been found that in the majority of divorce cases, the marriage was not destroyed by some particular major problem but rather by a succession of petty bickerings and the term "incompatability" has been most popularly used to describe the inevitable result."

BY COMMISSIONER McLAURIN - You are not going to try and marry the United Mine Workers and the Operators, are you?

A. I can only speak for one side of my family.

MR. COONEY continues Brief

We submit that the present procedure for the settlement of disputes can be made more effective, more satisfactory to both mine worker and operator, thereby reducing the incompatibility factor and creating more harmonious working conditions in the mines."

BY MR. COONEY - Perhaps I might express thoughts concerning the word incompatibility. The idea is that in marriage you can obtain a divorce, but the Union and the Company must continue to work together.

MR. COONEY continues Brief

When a dispute cannot be settled within the mine, the present procedure calls for the Union and the operators to agree upon an Independent Chairman and where they cannot agree they ask jointly that the Dominion Government appoint an Independent Chairman. It is our experience that this method of procedure is most unsatisfactory and is becoming more unsatisfactory day by day."

BY MR. FRAWLEY - That procedure is in this contract that you make, is it not?

A. That is correct, Sir. I intend to refer to that, Mr. Frawley.

MR. COONEY continues Brief.

First of all, it appears to be almost accepted practice that where an Independent Chairman agreed upon, gives a decision to the Union he is then recognized by the operators as a Union man and is not acceptable to the operators as a Chairman for the next dispute which may arise. Similarly, where an Independent Chairman gives a decision against the Union, the Union henceforth refuses to agree to this man as an Independent Chairman, assuming that he is unfavorable to the Union.

In one case, an Independent Chairman gave a decision against the Companies. He was a qualified mining engineer. The Companies did not think his reasoning correct and refused to agree to him as an Independent Chairman in subsequent cases while the Union proffered his name. Finally, the Companies agreed to have this man act as an Independent Chairman in a later dispute. Immediately following the hearing of that dispute, the Union and the Company were endeavoring to agree upon the selection of a Chairman for another dispute which was to come up at a later date, and the Union proffered the name of the same Chairman once again. A week later when this Independent Chairman had given his decision in favor of the Company, the Union would not agree that he act as Chairman in the subsequent dispute while the operators were quite willing that he should."

BY MR. COONEY - That is a very exaggerated case Mr. Chairman, but it actually occurred.

BY THE CHAIRMAN - How long has that provision been in the contract?

A. Since 1938 at least.

Q. And will be in it until the end of the war?

A. Unless we can obtain the approval of the Union to some change by agreement, and we are asking that perhaps this Commission might help us figure out some kind of variation.

BY COMMISSIONER MORRISON - There was something said yeaterday that we didn't intend to make an agreement yesterday. Has your Association applied to the Union to have this contract re-opened in order that this objectionable clause be amended or removed?

A. We have talked it over informally.

Q. With the Union?

A. Yes.

Q. When?

A. Just informally in the last three or four months.

Q. Have you ever written them any letters about it?

A. No.

Q. Where and when did these informal discussions take place?

A. With Mr. Stockalet, in the Palliser Hotel.

Q. What was his reply?

A. It was not in the affirmative, but it was not in the negative. He felt (he should speak for himself perhaps, Mr. Morrison) but he felt that the answers that we had to the question would not satisfy it, and it has left us both in the position where we realize there are weaknesses, but we don't know the answer.

Q. Prior to 1944 there was no agreement as between U.M.W. 18 and Drumheller Coal Operators' Association, as such, was there?

A. I would not like to speak to that, I was not here.

Q. In 1944? You were here.

A. There was an agreement.

Q. There was no agreement between U.M.W. 18 and Drumheller Coal Operators' Association as such?

A. In the Fall of 1944.

Q. Yes?

A. Yes there was.

Q. Was not that agreement between the various companies and the U.M.W.?

A. Yes.

Q. So do you want to change your answer?

A. There was an agreement between the U.M.W. and the mines in the Fall of 1944.

Q. But I say there was no agreement with the Drumheller Coal Operators' Association as such?

A. That is correct.

Q. And today there is such an agreement?

A. No, there is not, it is still with the individual companies.

Q. But provision has been made that the Drumheller Coal Operators' Association and you as Secretary can enter into negotiations as to settlement of disputes?

A. Yes.

Q. How did that come about?

A. By mutual agreement.

Q. And what was the technique used?

A. That we discuss it first and arrive at an understanding and then exchange correspondence and finally sign an agreement.

Q. Have you done anything of that kind in order to bring about this other thing you have in mind?

A. We have only done the first stage and have not got the answer. We won't be able to have an answer until both parties are satisfied that it is the answer.

Q. Incompatability again?

A. Not very much, just an endeavor to improve.

MR. COONEY continues Brief.

"The result of such practice is that we are quickly running out of acceptable Chairmen, whether agreed upon or appointed by the Minister of Labour. In recent cases there has been no attempt by the Union to agree with the operators on a Chairman and the Union's attitude is that it is a waste of time to endeavor to agree since agreement is seldom reached. The result has been that instead of attempting to agree upon a Chairman, the parties have immediately joined to ask the Minister to appoint a Chairman.

Another and more serious difficulty is that the Union is not content when it comes to disputes to allow for any delay in its settlements and they claim that the men are most discontented if the matter is not settled before an Independent Chairman immediately. There have been

instances where operators have been informed by the Union that they must be prepared for a hearing within three or four days, or that the men insist on immediate action.

In the matter of major disputes and hearings before Governmental Boards and conciliatory bodies, discontent has been caused because of the inordinate delay in obtaining decisions from such boards. In one case the industry has waited for eight months for a decision on a matter which could have been cleared up in one.

Discontent results when feelings are aroused by such delays and by indecision as to agreement on a Chairman, the length of time it takes to appoint a Chairman and the length of time it takes to arrange for hearings with the necessary delay after that, while waiting for the Chairman's decision. We feel that the Union will agree that the present procedure for the handling of disputes is most unsatisfactory.

Bearing these considerations in mind and in order to obtain permanent relief from the weaknesses of the present procedure, it is respectfully requested that the members of the Royal Commission on Coal recommend that the Dominion Government should institute legislation which would provide for the taking of informal proceedings before a District Judge. That costs in connection with such proceedings be borne by the Court, that is, the expenses of the Judge himself, court stenographers, Court House, etc. In this regard it is believed that arbitration and settlement of these disputes should not be hemmed in by a maze of court procedure such as is in existence in civil courts, but rather that the cases should be held informally before the District Judge whose decision should be final. Through this procedure industrial disputes in the coal industry would receive a more consistent treatment and arrangements could be made to have the disputes heard comparatively quickly. Court stenographers should take down full report of the proceedings for in few instances now are stenographic reports kept.

This procedure would be beneficial in many ways in addition to those above mentioned. The same system of precedents which exist at Common Law would be of value, that is, where a decision is handed down in any particular case and similar cases occur from time to time.

under similar circumstances and where the facts are comparatively the same as those of the case already decided, previous decision could be held according to its value to be a precedent."

BY THE CHAIRMAN - A binding procedure on the District Court Judge?

A. That would have to be arranged, Sir.

BY MR. FRAWLEY - The Statute would have to say so, I would think?

A. Yes.

MR. COONEY continues Brief

"At present a dispute between the Union and an individual mine may be heard and a decision arrived at but such decision has no bearing on the same set of circumstances occurring in another mine. The result is that the Union, if it wishes to establish the decision in other mines, must bring a separate case against each mine. The advantage of such a step would be the standardizing conditions throughout the various fields and there would not be discontent in one mine because conditions differed from those at another.

We respectfully urge that the Royal Commission recommend the establishment of a satisfactory procedure before a recognized authority such as a District Judge whereby disputes can be satisfactorily settled with dispatch and eliminate the duplicity of decisions and the harmful weaknesses which exist in the present system.

It is also requested that the Royal Commission make such recommendations as may be deemed necessary to impress upon governmental boards and administrative bodies, the importance of the immediate dispatch of matters affecting negotiations, conciliations or disputes."

BY THE CHAIRMAN - He is suggesting that there should be a finding by the Commission.

BY MR. COONEY - Really what we are asking the Commission to do is, if there is any way of helping us with the problem, it would be an agreement between the Union and the Operators on such procedure which would be implemented by the Legislature.

BY COMMISSIONER MORRISON - You have argued that it should not?

A. Under the Agreement it should not.

Q. You have argued that?

A. Under the Agreement.

Q. So you are changing your mind, that you were not doing what was right when you say that the decision handed down by Chairman "A" should not have anything to do with Chairman "B"?

A. No, I am not arguing that.

Q. You have argued that the decision of Chairman "B" should not be effective in the case being heard by Chairman No. 2, let us say?

A. No, I have not argued that. I have argued that under the agreements as they stand, that the decision in one case is not applicable to another. I do agree that a system of precedents should be established, but under the agreement as it stands they are not so applicable.

BY COMMISSIONER McLAURIN - Are you inviting us to recommend that this should be imposed?

A. No. But if there is any way the Commission could figure out the possible answer.

Q. The only way would be to act as a Conciliation Board, and speaking for myself, I don't propose to do that.

BY MR. FRAWLEY - Why should you involve the Dominion Government?

A. The Dominion Government takes an interest by appointing a Chairman if none is agreed upon.

Q. Ottawa is a long piece away, why involve them?

A. There is a weakness at present, the Union will agree. But there are strengths too, we are not suggesting there are not. But if we could better it by agreement with help of official authority, we suggest that we have some.

Q. It means that M. M. McLean is asked to name someone, and he does?

A. If the Chairman suggests that this is all out of Court.

BY THE CHAIRMAN - No, I don't at all, Sir. I agree with you that the matter of conciliation in the first place has been very very slow and it irritates both parties; and if there are any suggestions that we can make to help the situation in any particular district or area, I am only too glad to make suggestions. That is all we can do.

III. - SLACK PERIODS AND MARKETS

The problems of both operator and mineworker in the Drymheller field are many, but most of them are wheels within wheels. Many of the old problems remain to the solved and new ones occur each year. Problems such as lack of mechanization and modernization of mines, lack of progress and development, even difficulties of labour and with labour, in many cases are smaller wheels within one large wheel upon which is inscribed indelibly the words "Slack Periods."

BY THE CHAIRMAN: Have the Labour Unions of this country, or the men, objected to mechanizing mines in those districts where mechanization is possible?

MR. CONNEY: I think they had a statement in their own brief on the importance of mechanization of mines.

BY THE CHAIRMAN: Well, that has ceased to be a problem, has it, I mean so far as difference of opinion between miners and operators is concerned?

MR. COONEY: We are speaking of modernization; we are not speaking of differences of opinion between operators and mineworkers.

BY COMMISSIONER MORRISON: It never has been any problem, has it?

MR. COONEY: No.

BY THE CHAIRMAN: Well, it is here: "Problems such as lack of mechanization and modernization of mines, lack of progress and development, even difficulties of labour and with labour," It seemed to me to be connected up.

MR. COONEY: No, that was not meant to tie in with modernization. It meant all kinds of problems were caused by an accumulation of troubles which might be inscribed as "slack period troubles". (Continues brief):

Because Canadian domestic coal is mined at great distance from population centres, it has been unable to compete with imported coal from the United States and subsidies have

been administered on such an undependable basis that dealers in Eastern Canada have hesitated to depend upon Western coal shipments. Therefore, more than 50 percent of coal consumed in Canada has been imported coal while Canadian mines have remained idle and thousands of mineworkers were out of work for many months in almost every year.

The fact that over a long period of years in peacetime, the mines operated for less than half of the potential working year has directly or indirectly resulted

- (a) in the general attitude amongst mineworkers, operators and dealers that coal mining in the Drumheller area is a seasonal industry;
- (b) in discouraging mineworkers from remaining in the field since they had no security and were forced to seek employment in farming or elsewhere for a portion of the year;
- (c) in discouraging young men and miners' sons from taking up coal mining as a vocation since they could not look forward to earning a year's salary in a seasonal occupation;
- (d) in discouraging mine operators from mechanization and increasing the efficiency of their mines by the obtaining of new modern equipment;
- (e) in increasing production problems and mineworkers' difficulties, thereby magnifying the tension of any antagonism which might exist between them with consequent decrease in the efficiency of both;
- (f) in the creation of a pessimistic attitude amongst mine operators and mineworkers alike towards the possibility of betterment when peace reigns once more.

The analysis of these results indicates that the Drumheller field will not improve its efficiency nor solve its difficulties until such time as the threat of slack time is removed. The anticipated recurrence of long slack periods hangs like the sword of Damocles over the Drumheller Valley.

One solution of the problem lies in the national realization that it is far more important that Canada develop its natural resources in order to rise industrially than it is to save immediate dollar bills. This would imply the necessity of guaranteeing to Western Canada's domestic coal mining industry a market for its coal sufficient to ensure that the mines work at least two hundred days a year.

It will be necessary to find a dependable market for Drumheller coal, for example, to which may be shipped at a competing price that portion of its annual production in excess of prairie requirements.

The coal itself is of a high quality which may be shipped anywhere in Ontario or in the United States in box cars and retains its value in inside storage. The Ontario market, for example, is most anxious to have Drumheller coal.

Such a market could be made possible by a substantial reduction in transportation and distribution costs arrived at in the interests of national development out of appreciation for the coal industry as an asset particularly valuable for its employment possibilities.

BY THE CHAIRMAN: I suppose that the general brief will give us some indication of how much the subventions assisted your industry, your part of the industry, in getting a larger market in Ontario, some market in Ontario?

MR. COONEY: We have men here who could answer that question, would be glad to.

BY THE CHAIRMAN: It would be important, you know, because it is very little use to ask for public money to get coal into Ontario unless we know what the effect has been in the past.

MR. COONEY: All I can say is, we have already mentioned it in the brief, I do think I would be correct in saying that because of the undependability of subventions, that is their non-lasting qualities, the Ontario dealers were hesitant about ---

BY THE CHAIRMAN: Notwithstanding that, I am talking more about places that I know something about. Tremendous increases of Canadian coal were sent into these central markets owing to these subventions.

MR. CONNEY continues brief:

The elimination of the threat of slack periods in the Drumheller field would pave the way for progress towards more

modern and efficient operation, improved labour conditions and full development of the mining industry.

The charts and graphs attached hereto are provided for the purpose of assisting the Honourable members of the Royal Commission on Coal to analyze slack period aspects and marketing considerations respecting Drumheller coal.

The first chart shows the average monthly production of coal in the Drumheller field.

BY COMMISSIONER McLaurin: How about Hotchkissing the four of these together and making them Exhibit 125? I may be old-maidish about this, but I would like to keep them all together.

Exhibit 125 - Graphs accompanying Exhibit 124, marked "G", "H", "I", "K".

MR. COONEY: The average monthly production of coal in the Drumheller field shows that during the month of January the tonnage was between 150,000 and 200,000, using round figures here, sir; the exact figures are in the brief.

BY COMMISSIONER Morrison: For what year or period is that average taken?

MR. COONEY: From 1930 to 1943 inclusive, a 14-year total. For the purposes of explanation, sir, the black line on this chart represents production for the 10-year period 1930-1940, and shows the production high in January, falling in February, March down to a low during the summer months, and then reaching a very high point in October and starting to be slightly less in November and December.

BY MR. Frawley: How would it be if you wanted to know what it was say in April 1933?

MR. COONEY: That is all in the exhibits that are attached, to go with this graph. The value of this chart is that during the 4-year period which is the red line, the 4-year period of the war, the curve is straightening out, the slump is not so heavy and the peak is not so high, so that it proves to us that the longer working year and the better market tends

to increase the steadiness of our production.

BY MR. FRANKLEY: Even in wartime when you were presumably getting out all the coal you could you had the same general pattern of diminution in the summer months? Why?

MR. COONEY: Yes, for the several reasons that have to do with slack periods altogether, that is your public not buying your coal evenly throughout the year, but the main thing is the tendency to straighten out the curve. The longer and steadier working year lessens the amount of slump in the summer months and at the same time compensates in not so high a peak period.

Now with reference in the same way to men employed, as in Chart "I". Number of men employed for the 10-year period 1930-1940 shows the number of men employed as over 2500 in January, dropping in February, as low as 700 men employed in the summer months. And similarly during the war period. There were not so many men employed, of course--lack of labour supply is responsible for that--but the main thing is there were more men employed during the summer months when ordinarily there would be a lower slump.

BY THE CHAIRMAN: Of course you were producing in wartime very much more coal?

MR. COONEY: Yes sir.

BY THE CHAIRMAN: Otherwise that might be explained by Coal Control asking people to buy their requirements during the summer months?

MR. COONEY: Yes. The next two charts will show something like the idea you have just expressed, sir. The annual production of coal in the Drumheller field for the period 1930-1943 inclusive and the actual production as compared with possible production had the mines worked 240 days each year. The black line shows the actual production of coal. Let's take 1930. In 1930 in October the mines produced 302 thousand and some hundred tons. If the mines during that year had worked as hard as they worked in October there would have been a production

of over 3 million tons of coal. They were capable in 1930 of producing 300,000 tons of coal in a month, but that was the highest month of the year.

BY COMMISSIONER McLURIN: Does it follow that you could keep that pace up?

MR. COONEY: Perhaps not, but we are suggesting on a 240-day year, which provides certainly a very liberal allowance on the idea of time off and slack periods and everything else.

BY THE CHAIRMAN: Is that your production capacity, about 300,000 tons?

MR. COONEY: Because we didn't know in 1930 what coal production would be we chose the actual top production for one month and applied it to the rest of the year. We would have produced over 3 million tons of coal, and following that through each year the red line shows the possible production. Now you notice they join towards the end and the possible is lower than the actual production, and that is because in 1943 the mines worked 255 days in the year, whereas our statement is based on a 240-day year. Now between the red and the black line is a shaded area, or between the dotted line and the full line, which is the lost production as a result, we say, of the mines working too little during the slack period. Now that bears out, and we would like to bring out the similarity between the production picture and the employment picture. We worked this out this way, Mr. Chairman. The actual number of shifts worked is the black line, and that is the full line in your graphs. If we could have produced over 3 million tons of coal in 1930, as we demonstrated, and it took this number of shifts to produce the actual tonnage, we have worked it out so that this red line would be the number of shifts required to produce that capacity tonnage.

Now you have in the copies of the brief which you have full and exact figures of all those times and months, but the chart is sufficient to show in round figures that more shifts

have been lost to those men who work in the Drumheller field than the actual number of shifts worked in a 15-year period because of slack periods.

BY COMMISSIONER MORRISON: In other words, they worked less than half-time?

MR. COONEY: That is just about it, because of the slack periods during the year.

BY MR. FRAWLEY: It produced 3,000,000 tons of coal for you in 1930 but it fell under 2,000,000 tons of coal in 1943. How is that?

MR. COONEY: Because we are taking the best month in any year. I am glad you asked that, Mr. Frawley, because we have been taking the best month in any year as being the pendulum by which we could gauge the capacity.

BY MR. FRAWLEY: And the best you could do with 240 days in 1943 was about one and three-quarter million tons?

MR. COONEY: Because of lack of labour supply.

Q And in 1930 do you mean that your 240-day year produced over 3 million?

A Because we had an average of 2,163 men available during that whole year and there were over 3,000 men working in one month. Now during the war period, during 1943-44, there was almost one-third more men necessary and they could have produced close to twice as much coal with that one-third more men.

Yest rday when the Union were presenting their brief they mentioned that some of the mines were closed. Now that is quite correct, sir, and it is shown on these charts. In January the number of men working was high. If it followed the same picture as the 15-year period it would be high, and it has fallen down, so that here we are on the boundary line between March and April showing that there are considerable less men working and the mines are starting to close now. Some of them will remain closed but they will be working part-time for considerable time, I expect.

BY COMMISSIONER McLAURIN: It is the case, is it not, that you have had Ontario orders in the past that you have not filled?

MR. COONEY: Our duty, as outlined to the mines, has been that the prairie orders must be taken care of first, and the surplus go to Ontario.

BY COMMISSIONER McLAURIN: What I am asking you, is it a fact that in the past, prior to the war years, that the operators of Drumheller have had orders from Ontario that they didn't fill? I am not saying that they could be criticized for it but I am just saying, isn't it a fact that you had Ontario orders that you didn't fill?

MR. COONEY: I would prefer to have that answered by someone who was there then, sir.

BY COMMISSIONER McLAURIN: You can't answer it?

MR. COONEY: No, I can't answer it. (Continues brief):

In course of preparation is a map designating the actual points to which Drumheller coal was shipped in 1938 and in the year 1944. All years referred to are calendar years. We respectfully request permission to file copies of this map with the Royal Commission on Coal as soon as it is possible to do so.

IV. THE ECONOMIC IMPORTANCE OF COAL MINING IN DRUMHELLER

1. In the Past and Present

Coal production commenced in 1911 in the Drumheller field with the opening of the Newcastle mine. The first store was opened that same year. In the following year, the first school in the settlement opened with a first enrolment of 35 pupils, and recognition as a town came in 1916.

More coal mines were established. Drumheller became a thriving city as a consequence of the coal mines and the surrounding agricultural district.

Around each coal mine sprang up small communities and today there are some 25 mines in 8 district communities

stretching along the banks of the Red Deer River from Naomine (four miles west of the city of Drumheller) to East Coulee fifteen miles to the east.

Despite an ever-growing maze of difficulties and the disconcerting effect of recurring slack periods on both mine operator and mineworker, the industry produced in 1938, 1,168,348 tons of high quality sub-bituminous coal, employing 2,527 men in the mines as at December 31st, 1938. In the war years, production became higher and work steadier until in 1943 production in the field reached 1,838,738 tons or roughly 54 percent of Alberta's coal output in that year.

The total payroll of the mines in 1938 amounted to approximately \$2,000,000.

The foresighted management of courageous operators and the persevering sweat of mineworkers have created millions of dollars of new money each year for almost 30 years. They have, more important still, provided warmth against Western winters during that long period of years for hundreds of thousands of homes from the Pacific coast across the farms of the Prairies and into the Great Lakes area.

Drumheller's coal industry is of great economic importance to the people of Alberta as a creator of millions of new dollars annually and to the people of Western Canada as the producer of a high quality basic commodity for home and industry. It has been and is of prime importance as the employer of some two thousand men.

To the city of Drumheller and seven surrounding communities, the coal mines and mineworkers have brought restaurants, banks, hotels and merchants with steady business. They have indirectly created employment for railroad men, servicing shops, truckers and assisted in building a thriving mecca for travellers from manufacturing houses in other cities as well as inviting the establishment of new industries. The coal industry in Drumheller has played a major role in building Alberta's fifth largest city.

How large the city and neighboring communities might have been under steady working conditions and normal working year length resulting from full market, who can tell?

The coal industry in the Valley is fundamentally important to every citizen in the district. Any variation in marketing or production conditions automatically reflects on the community, its business and its everyday life.

2. In the Future

Should Canada and the Province of Alberta see fit, Drumheller coal fields can be turned into an extremely valuable post-war reconstruction and rehabilitation asset.

If a steady market can be assured to the field at a sufficient price as a post-war project so that Drumheller mines could be assured of 200 to 240 working days in the year on a proper business basis, the coal industry in the Valley would offer employment to men returning to civilian life. The industry could develop, modernize and mechanize. Production would soon be more efficient and the cost of coal to the consumer would proportionately become lower as production costs decrease. To obtain a satisfactory working year, Drumheller needs but a small guaranteed market to take up the surplus which would remain when prairie markets have been satisfied.

With the return of our soldiers, sailors and flyers from the battlefronts of the world, Canada's greatest problem will be not dollars, but jobs. The employment to be furnished to those men must not be temporary. It must not be for a year or so. The employment we should be prepared to offer should be as permanent as possible; otherwise we are only paying lip service to the true meaning of the word "rehabilitation".

Plans are now being made and considered to rehabilitate the men and women presently in the Armed Forces. Blueprints are ready for the construction of highways, bridges and public works of all kinds. But one great possible defect is that too many of these projects will be completed in two, three or five years. Rehabilitation and our duty to those young men

and women, is not fulfilled by the making of provision for two, three or five years of employment. It is submitted that the first duty of any rehabilitation body or government is to endeavour in so far as is humanly possible to find constant enduring employment for those who have given much.

The full development of Canada's coal assets would afford post-war employment of the most valuable kind. To produce Canada's own coal needs the industry would require to give employment directly to 50,000 more men than it presently employs. Indirectly its full development would create billions of new dollars, provide indirect employment for thousands more on the railroads, in shops and in factories.

Perhaps the greatest achievement of all would be that thousands of men would become fully rehabilitated by employment which would be of lifetime duration.

It is respectfully urged upon the Honourable members of this Royal Commission that they make a thorough investigation of Canada's coal assets from a post-war employment standpoint and strongly press for immediate implementation of their recommendations in this regard.

Of the 1,700 names inscribed on Drumheller's Honour Roll, it is estimated that 900 are those of miners or miners' families. The majority of these will first return to their homes in Drumheller. We want to provide lifetime jobs for them. Their natural bent is coal mining. We do not want them to take other employment elsewhere or be half rehabilitated because one of our major industries lies sick from neglect.

Funds allocated for post-war purposes might well be invested in coal mining in Drumheller. New equipment might be purchased; mechanization and greater efficiency might be fostered through the availability of those funds. An exploration program of scientific drilling merits immediate consideration.

Investment of this nature is the soundest known. Not only would Canada and this province be properly providing

constant employment for men now in armed Service, they would be building upon the firm foundation of a basic national commodity, and greater still, the money so invested would return to the public pocketbook multiplied many times by the natural consequences of industrial development.

If the people of Canada can be persuaded that it is in the interests of national welfare in the post-war period to import a lesser amount of coal from other countries or to obtain reciprocal concessions by agreement, these things can be accomplished. However, it is submitted that the stabilization of markets cannot be realized by patriotic appeal but only by empowering our coal to compete successfully with other coals.

Respectfully submitted

DRUTHELLER COAL OPERATORS' ASSOCIATION

EXHIBIT "B"

AVERAGE NUMBER OF EMPLOYEES DURING THE YEARS 1930 to 1944

1930	2163
1931	1873
1932	1909
1933	1764
1934	1721
1935	1779
1936	2009
1937	1888
1938	1619
1939	1635
1940	1715
1941	1698
1942	1839
1943	2037

1839

E X H I B I T "C"

Atlas	Atlas Coal Company Limited
Brilliant	Brilliant Coal Company
Commander	Commander Coal Mine
Empire	Saskatchewan Federated Co- operatives Ltd.
Castle	Castle Coal Company Limited
Bygrade	Hygrade Coal Mining Company Ltd.
Ideal	Ideal Coal Company Limited
Murray	Murray Collieries Limited
Monarch	Monarch Coal Mining Co. Ltd.
Midland	Midland Coal Mining Co. Ltd.
Maple Leaf	Maple Leaf Minerals Ltd.
Newcastle	Newcastle Collieries Limited
Red Deer Valley	Red Deer Valley Coal Co. Ltd.
Rosedale	Rosedale Collieries Limited (Rosedale Mine)
Star	Rosedale Collieries Limited (Star Mine)
Western Gem	Western Gem & Jewel Collieries Ltd.
Western Crown	Monarch Coal Mining Co. Ltd. (Western Crown Mine)

E X H I B I T "D"AVERAGE DAYS COAL DRAWN EACH YEAR FOR THE
PERIOD 1930 TO 1943 INCLUSIVE

1930	159.85
1931	137.42
1932	143.92
1933	145.43
1934	136.06
1935	153.43
1936	131.13
1937	147.48
1938	141.91
1939	141.60
1940	143.66
1941	169.53
1942	219.19
1943	252.38

NOTE:

To obtain the number of days worked fully it is generally accepted that 40 days should be deducted from the years totals.

E X H I B I T "E"WORKMEN'S COMPENSATION BOARD - ASSESSMENT RATES

1930	3.75
1931	3.75
1932	3.75
1933	4.25
1934	4.50
1935	4.50
1936	4.75
1937	5.25
1938	5.25
1939	5.25
1940 (Jan. to June)	5.25
1940 (July to Dec.)	6.50
1941	6.50
1942	6.50
1943 (Jan. to Mar. 31)	6.50
1943 (Apr. to Nov.)	10.00
1943 (Dec.)	11.00
1944	11.00
1945	11.00

EXHIBIT "F"TOTAL ANNUAL PRODUCTION ACCORDING TO MARKET DESTINATION

	<u>ALTA.</u>	<u>B.C.</u>	<u>SASK.</u>	<u>MAN.</u>	<u>ONT.</u>	<u>U.S.A.</u>	<u>SALES TOTAL</u>	<u>TOTAL OUTPUT</u>
1930	267593	64933	734929	305676	21911	10317	1405359	1433350
1931	195015	48886	571725	207684	18925	9622	1051888	1070543
1932	222018	44950	727626	210993	12871	7345	1225803	1245474
1933	197424	35042	665508	177541	16214	3345	1095074	1112204
1934	181457	30530	621977	150963	30084	4362	1017373	1033000
1935	232073	40820	757116	166884	35531	3138	1235562	1261239
1936	252297	38364	895876	190638	37833	3305	1418313	1439905
1937	228245	46724	772503	189308	33542	4018	1274340	1289971
1938	213522	36825	699751	156249	37188	1345	1144880	1168348
1939	227814	36605	736730	152305	44626	1868	1199948	1223338
1940	247793	39904	745699	154155	73719	1746	1263016	1287935
1941	253773	49546	788273	195194	131121	1713	11419620	1458455
1942	318440	112084	913289	232310	136211	2811	1765145	1785021
1943	326418	166471	1020354	303210	38	2624	1824115	1838738

AVERAGE:

10 years:

221745	42367	718374	190824	28372	4666	1206854	1227737
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4 years:

286606	92001	836903	234967	85272	2223	1567974	1592537
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E X H I B I T "G"

TOTAL ANNUAL PRODUCTION BROKEN DOWN INTO MONTHLY PRODUCTION

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	TOTAL
1930	273822	109845	84199	24102	32702	23789	24577	68281	158252	302743	187925	143113	1433350
1931	134294	66178	91361	27811	20662	14712	15716	34253	135306	179009	215691	135550	1070543
1932	171400	171936	96082	31929	16440	14169	10234	46013	123202	240259	173675	150135	1245474
1933	141921	150807	56531	28866	13866	8040	10260	38109	119429	214101	141991	188223	1112204
1934	155732	86794	66770	21793	14551	13004	9272	49594	146277	170290	144666	154257	1033000
1935	217935	67885	81007	43916	20593	20329	16407	60222	103268	219733	254410	155434	1261236
1936	210504	264334	56965	44505	15252	14322	19079	49558	159454	275394	137023	193445	1439905
1937	225328	151788	61793	27530	16513	11338	13936	66538	109116	237424	177439	191198	1289971
1938	141407	180742	58102	27192	20749	12512	5902	58608	81888	197842	220572	162832	1168348
1939	145219	167595	85428	26542	14969	10707	11403	46187	142294	250899	208887	113208	1223338
1940	183325	103177	68778	42332	16433	10450	17129	78514	112711	233624	242561	178901	1287935
1941	198498	134299	85885	19668	20264	15426	16317	139661	231917	236806	181568	178146	1458455
1942	242496	149215	75492	59049	35255	97474	173170	197622	182085	185330	189529	198304	1785201
1943	179044	183804	190883	95123	125301	143596	128228	162234	159273	165182	132422	173648	1838728

AVERAGE:

Ten years:

W.

181756	141790	73830	30418	18629	14292	13678	51736	127848	228769	186240	158745	1227737
Four years:												
200834	112623	105259	54043	49313	66736	83711	144507	171496	305275	132538		

EXHIBIT "H"ESTIMATED PEAK PRODUCTION AND EMPLOYMENT BASED ON 240 DAYS COAL DRAWN

No. of Mines Dec. 31	YEAR	MONTH	Average Days Coal Drawn	Tonnage	Tonnage Produced for year	Est. Tonnage based on 240 Days	Shifts Worked	Estimated Shifts on Peak
32	1930	Oct.	24.00	302743	1433350	3027430	406483	860065
29	1931	Nov.	17.79	215691	1070543	2909760	296767	806027
29	1932	Oct.	19.37	240259	1245474	2976864	293983	811107
33	1933	Oct.	18.97	214101	1112204	2708712	338989	724254
27	1934	Oct.	17.07	170290	1033000	2394240	296901	682119
29	1935	Nov.	20.02	254440	1261239	3050208	332474	804804
29	1936	Oct.	23.14	275394	1439905	2856004	398367	788951
28	1937	Oct.	21.89	237424	1289971	2386168	342584	634619
25	1938	Nov.	19.71	220572	1168348	2685792	300307	690434
28	1939	Oct.	21.69	250899	1223338	2776080	315280	715484
29	1940	Nov.	21.63	242561	1287935	2691384	330899	691872
25	1941	Oct.	22.8	236806	1458455	2492640	373652	639138
22	1942	Oct.	22.9	185330	1785021	1942320	457995	499311
24	1943	Oct.	23.1	165182	1838738	1716175	513015	479378

E X H I B I T "I"

TOTAL NUMBER OF MEN EMPLOYED ABOVE AND BELOW GROUND EACH MONTH

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Monthly Average
1930	3073	2641	2084	926	839	762	1024	1631	2517	3387	3620	3448	2163
1931	3366	2550	1704	974	745	703	697	1084	2393	2632	2829	2744	1373
1932	2479	2382	2019	1075	889	836	664	1333	2260	2971	3029	2969	1909
1933	2774	2474	1891	928	550	496	525	1083	2218	2755	2745	2730	1764
1934	2324	2967	1767	1034	761	719	615	1437	2333	2550	2554	2570	1721
1935	2530	2135	1614	1115	871	792	753	1564	2037	2560	2707	2671	1779
1936	2591	2524	2136	1275	911	917	803	1733	2545	2894	2897	2878	2009
1937	2871	2707	2063	1083	707	625	620	1845	2422	2598	2548	2560	1388
1938	2517	2417	1519	744	692	568	528	1355	1802	2320	2437	2427	1519
1939	2415	2236	1976	774	336	477	601	1448	2116	2494	2549	2533	1685
1940	2530	2362	1321	1066	625	532	862	1601	2156	2348	2418	2415	1715
1941	2367	2156	1920	866	595	562	833	1977	2194	2280	2312	2291	1698
1942	2296	2137	1704	1188	1019	1659	1919	1978	1956	1977	2084	2150	1839
1943	2169	2133	2140	1909	1813	1899	2014	2079	2118	2168	2262	2335	2037
10 years:													
	2694	2403	1892	992	750	689	633	1451	2266	2716	2791	2753	1841
4 years:													
	2340	2172	1396	1257	1013	1168	1407	1908	2106	2193	2269	2297	1834

EXHIBIT "J"

TOTAL NUMBER OF DAYS COAL DRAWN

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1930	20.50	10.40	11.40	7.60	13.20	10.20	9.52	12.40	15.93	24.00	14.03	10.65	159.83
1931	10.33	8.50	13.48	8.88	7.54	7.67	8.43	14.17	17.15	11.14	17.79	12.34	137.42
1932	13.96	16.03	12.77	8.85	6.48	5.36	6.21	10.74	16.00	19.37	14.93	13.22	143.92
1933	12.73	14.07	10.64	9.05	8.53	5.94	8.62	11.62	16.68	18.97	13.14	15.44	145.43
1936	16.92	21.15	8.15	9.88	6.14	6.50	8.71	12.04	18.59	23.14	11.83	14.31	131.13
1937	16.38	11.96	10.10	7.09	8.33	5.25	7.61	11.52	12.52	21.89	16.54	18.29	147.48
1938	13.44	12.30	8.22	7.61	8.65	7.44	6.69	12.36	12.11	19.50	19.71	13.88	141.91
1939	12.15	14.04	9.78	7.63	6.15	6.13	6.37	11.19	17.79	21.69	17.63	11.05	141.60
1940	15.04	10.93	7.8	7.61	5.47	6.7	7.5	12.44	12.04	20.00	21.63	16.5	143.66
1941	15.83	12.55	10.4	7.4	7.00	9.2	6.4	18.7	22.75	22.8	19.0	17.5	169.53
1942	22.52	14.00	10.7	11.57	10.2	17.1	20.2	23.2	21.7	22.9	22.6	22.5	219.19
1943	20.62	20.81	22.71	13.89	20.8	22.8	21.4	22.7	22.0	23.1	18.9	22.75	252.32
Average 10 years: 143.82 days coal drawn													
Average 4 years: 196.19 " " "													

It should be noted that figures are for days on which coal was drawn and not necessarily when mine worked with full crew. To obtain true picture, it is usually conceded that 20 casual days should be deducted from each of the above totals.

E X H I B I T "K"

TOTAL SHIFTS WORKED IN EACH MONTH

YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	TOTAL
1930	66674	30807	25893	8889	11962	10928	12897	24657	16692	73061	50486	37537	406483
1931	34005	19051	22164	10170	7647	7237	7385	13423	40742	46481	53108	55354	296767
1932	41697	42797	26861	10852	7990	6779	7042	17372	37247	60355	43248	56749	338999
1933	33477	34383	16233	8183	6402	4482	5940	15592	36003	53721	38024	44355	296901
1934	37271	37005	18800	7976	6648	6212	5361	15111	41257	44507	36286	37549	293983
1935	51895	19969	21114	13433	8724	8247	7182	20462	37477	54520	59902	39549	332474
1936	49805	60334	17946	14922	9298	10609	11330	22994	16935	70919	37328	45947	398367
1937	52396	37244	18316	10550	9030	8753	8380	21907	32480	56317	43436	43775	342584
1938	37464	35571	16083	9504	9391	7632	6646	19143	23503	46515	51331	37489	300307
1939	34119	36796	21964	8612	5996	5952	6404	17581	37441	59591	51802	29082	315280
1940	41876	26101	18860	11594	7967	6477	9992	25070	31465	53749	55390	42358	330899
1941	46599	30497	23062	10348	7867	8316	10914	40973	52384	55870	45533	41287	373652
1942	53714	38990	21861	18379	16709	30808	43356	47213	45148	46940	46280	48097	457995
1943	45916	44828	49013	27283	38214	43096	39566	46156	43427	47152	38864	47500	513015
10 Year:													
	43880	35405	20537	10309	8308	7683	7856	18826	36977	57201	46495	38730	332213
4 Year:													
	47026	35104	28199	17026	17689	22174	25957	39853	43606	50927	46516	44810	443890

MR. COONEY: I was going to add one more thing, if I might, to the brief. Perhaps it can be in the questioning period. At this point I wish to thank you very much for the hearing that you have given me. I would like to ask if Mr. Gouge could sit with me. He will have to answer most of the questions, I believe, sir.

V. A. COONEY and JESSE GOUGE sworn by the Chairman

BY THE CHAIRMAN: You both heard the qualifications of your oath yesterday?

A Yes.

EXAMINED BY Mr. Frawley.

Q You think there should be some federal funds invested in coal mining in Drumheller? You mean somewhat along the order of affairs under the Emergency Coal Production Board? Just how do you contemplate that those investments might be made out of these rehabilitation funds?

MR. GOUGE: Well, I didn't prepare that part of the brief.

I would say, however, that if there are rehabilitation funds to be expended from public moneys I would not suggest they be put into coal mining direct but they be used in some way to further the interests of coal.

Q That is stating it a little differently. The words are "That funds might well be invested in coal mining in Drumheller," and we have heard something about funds invested in strip mines by E.C.P.B.

A No, I don't think there is any idea of asking the government to go into the coal mining business in any way.

Q But you think there might be some funds provided for the general betterment of the industry?

A Yes.

Q Just how?

A It might be by further investigations into the amount of coal, quantity of coal, and then investigations into methods of using the coal; something of that nature might come within the purview of using public money, but not

directly in the mining.

Q Of course if you got the coal moved down into Ontario it would take a lot of public money?

A I don't agree with you, sir. I hope to have something to say about that.

Q Well, freight rates aside, if we are to follow subventions that would take some public money? Now, Mr. Cooney, I was interested in your statement of members and I am wondering to what extent that includes the bulk of the production in the Drumheller field?

MR. COONEY: Yes, it does, sir.

Q You don't leave anybody out, do you, that is of any consequence?

A I wouldn't like to make that statement that the others might not like, sir.

Q Well, you have got all the 100,000 per annum producers, of course?

A Yes, we have all those and some smaller.

Q Well, in any event you are able to say that it does represent very definitely the great bulk of the producers in the Drumheller field?

A Mr. Gouge will correct me but I would say it represented 90%.

BY COMMISSIONER MORRISON: Would you say 95%?

MR. COONEY: Yes.

BY MR. FRAWLEY: Now you ask that there be exploration and that that exploration be done by the provincial government. I notice that is one of the places where you put the provincial government in. You don't want the provincial government to name this independent chairman of yours, but you want them to explore those coal reserves out there?

A The natural resources of the province from a production standpoint are in the hands of the Province; from the consumption standpoint it is under the jurisdiction of the

dominion government because it is consumed by the nine provinces.

Q Isn't there one other big owner of coal in the Drumheller Area?

A Oh yes.

Q Who is that?

A The Canadian Pacific Railway.

Q I wonder if it would be a lot of bother to you to file something that would indicate just how the coal is owned in the area covered by the submission 124?

A Yes, I will.

Q And you will agree that with respect to the coal--and I want the Chairman to understand this because in his part of Canada this situation doesn't occur--with respect to the coal not owned by the Crown the Crown has no revenue whatever?

BY THE CHAIRMAN: I think the man who appears for the Government would be able to answer that question.

BY MR. FRAWLEY: If you are operating on C.P.R. coal property you pay no royalty to the Provincial Crown?

MR. GOUGE: None whatever. The Province does levy a tax on the coal properties of the C.P.R.

Q And that tax is known as the Mineral Taxation Act?

A Yes. There was an attempt, one attempt, to levy a tax on all the mines, called the Mine Owners Tax Act.

Q But the gentleman known in Drumheller as "One Bullet" upset that in the Privy Council? The tax was called the Mine Owners Tax Act and it was first tried on the basis of 10 cents?

A It was first paid on the basis of 5 cents and it was afterwards raised to 10 cents.

BY COMMISSIONER McLAURIN: That is a very painful subject because some of the operators paid it and then found out it was ultra vires.

BY MR. FRAWLEY: Then found out there was a statute under which you cannot recover moneys paid under invalid statutes.

MR. GOUGE: It included the coal owned by the Canadian Pacific or Hudson Bay. It was a tax simply on the production of the mine, regardless of who owned the coal.

That is not what I am getting at at all. We want to find out if this was set aside because it was directed against the private owners of coal?

BY COMMISSIONER McLAURIN:

No, it was set aside simply because it offended the well known rule that a province cannot impose indirect taxation.

BY MR. FRAWLEY: Then they are doing it now. What is the difference between that tax and the 10 cents a ton they are getting from the coal operators at the present time?

MR. GOUGE: Oh no, that tax is gone completely.

BY COMMISSIONER McLAURIN: What they are getting today is a rental under a lease by virtue of contracts, not a tax at all.

BY MR. FRAWLEY: Mr. Gouge did raise one other statute that I think should be brought before the attention of the Commission and that is the levy against owners of mineral rights, and under that statute the Canadian Pacific merely by virtue of the fact that they own coal in the province pays a tax.

BY COMMISSIONER MORRISON: How much?

BY MR. FRAWLEY: At the moment I would not like to say. Do you know how much they pay?

MR. GOUGE: I do not, but it is not a heavy tax. I am told just this week that that tax has been raised.

BY THE CHAIRMAN: The reason I am interested in this whole question is that in Nova Scotia I always took the ground that the operators were paying too much royalties, and I was further confirmed in that because I was told down there I think by your good self that all the operators paid in this province was 5 cents a ton, but I got a memorandum from a gentleman afterwards which indicated that taxation of all kinds, including royalties, against coal operators

is greater than in Nova Scotia.

BY MR. FRAWLEY: That may be. I think what I said was in Nova Scotia they pay a royalty of $12\frac{1}{2}\%$; in this province 5%.

BY THE CHAIRMAN: Did Mr. Cameron give you a memorandum regarding that, the Deputy Minister of Mines?

MR. FRAWLEY: Dr. Howland says he has received it.

BY THE CHAIRMAN: I think the accuracy of that statement of Mr. Cameron's should be tested by some witness who is capable, I would think perhaps by the Provincial Government.

BY MR. FRAWLEY: I must confess I have never studied it.

MR. GOUGE: Your reference to the amount of royalty is Government lands only. There is a variation respecting private owners.

BY MR. FRAWLEY: The royalty reserve under Crown lease is 5 cents a ton. The royalty reserve in leases from private individuals is a different thing?

A Yes.

Q Could you say in a few words what the royalty to the Canadian Pacific is?

A I cannot, except in this instance that I know about and it is 10 cents.

Q Now the reason I was calling your attention to the fact that the Canadian Pacific owned coal rights, what do you think about the C.P.R. joining with the provincial government in undertaking this systematic drilling program for exploration purposes?

A It might be suggested to them.

Q But I mean to say, I am just suggesting when you are calling upon the provincial government to do this, I presume by virtue of their position as coal owners ---

A Because it is in their interest, if they get a big royalty off this coal, to know how much there is and where it is.

Q That is quite right. I don't see anything wrong with the suggestion. I am simply suggesting you add other owners of coal rights in your scheme. What do you think about that?

A I hadn't thought about it but I wouldn't object to it.

BY THE CHAIRMAN: All the known coal areas are not under lease?

I mean all the well known coal areas?

MR. GOUGE: Oh no. There are lots of coal lands that are known to contain coal that are not under lease.

BY MR. FRAWLEY: Mr. Cooney, in your brief on page 4 you speak about governmental assistance through rehabilitation channels. I always like to be specific. What government is that you think should offer that assistance, provincial or federal?

MR. COONEY: Both, sir, if both are going to put moneys into post-war rehabilitation or reconstruction plans. The whole point of the idea is that the coal industry being a permanent basic asset and in a state where it might be developed further by providing markets, you have a post-war asset there which is of extreme value to both province and dominion.

Q You think there should be some joint effort made in connection with assistance from the rehabilitation standpoint?

A Yes.

Q You do deal at some length with the burdensome duties on machinery which you have to import. What have you done to secure relief from that burden from the Department of National Revenue?

A We have taken particular instances, particular cases, first to the customs authorities and then directly to the Department of National Revenue, and through Coal Control. Mr. Dickinson in Ottawa has been exceptionally helpful in that line in endeavoring to obtain relief from those duties which we class as being unfair.

BY THE CHAIRMAN: In attempting to?

MR. COONEY: In attempting to.

BY MR. FRAWLEY: I presume you know that the oil industry has achieved a large measure of success in that same direction?

A I would not like to speak for the oil industry.

Q I thought it was a matter of common knowledge. I am just suggesting that you do know that the oil industry did get relief on the importation of drilling machinery?

A I believe they did.

Q I am just wondering whether or not--I don't want to be too critical--do you think you have pursued that far enough with the people at Ottawa, pressed them enough to get relief, because it seems to me at least that you have made out quite a case. You are carrying quite a burden there on machinery that is not made in Canada. Why were you turned down?

MR. GOUGE: May I interject a suggestion here? There is a gentleman in the audience I think who represents one of the biggest manufacturers of coal mining machinery in America, who has had considerable experience with the Department in Ottawa trying to get concessions. He could answer those questions much more informatively. Our experience relates in each mine to just a particular instance.

BY MR. FRAWLEY: Have you gone before the National Revenue officials as a body asking for this relief on behalf of the whole coal mining industry in Canada?

A No, we did not.

12.00 NOON - COMMISSION ADJOURNED

AFTERNOON SESSION

The Commission reconvened at the Court House at 2 P.M.

V. A. COONEY and JESSE GOUGE. Examination continued by Mr. Frawley.

Q Turn to page 8 of your memorandum. I have just been having a word with you before the Commissioners came in, and would you be good enough in connection with your paragraph on Leases to prepare a supplementary memorandum for the Commission, which you could file with us at Edmonton or send to us, which memorandum would show with respect to each of the operators that belong to your Association whether they are mining Crown coal or Canadian Pacific coal or other alienated coal, or both, and what they are paying to the Provincial Crown or to the other owner by way of royalty or other consideration. You will probably have to get in touch with your various members and get that information from them and file it in one supplementary brief to us. Would you be good enough to do that?

MR. COONEY: I would be glad to do it.

BY THE CHAIRMAN: And bring it down to a proportion as to tons, if possible, what tax or royalties they pay on the ton of coal.

BY MR. FRAWLEY: I am only speaking of royalty at the moment. If you would include in your brief the taxes which each one of these constituent members pays?

A Over what period?

Q What they are paying now.

BY THE CHAIRMAN: Or if there is any difference now and before the war, take before the war.

A Say 1939 and 1944?

BY MR. FRAWLEY: What I would like to know is whether or not the C.P.R., for instance, passes on to their lessees the burden of the tax which they pay under the provisions of the Mineral Tax Act. That might be something you could

cover in your brief. I have just learned from some of the members in the Bituminous Association that probably two-thirds of that coal is alienated from the Crown and held in fee under old grants, so I was suggesting to one of the members, Mr. Young, that a supplementary memorandum of this sort be filed, but he tells me that in the questionnaire which we sent out asking for financial information that was one of the questions, the manner in which they hold their lands and what royalties and other burdens of that sort they pay, so I don't think we need to ask Mr. Stubbs' organization then for any supplementary memorandum. It will come in to Mr. Morrison.

BY THE CHAIRMAN: I may say the reason I am dwelling on this is that our provincial governments are, year in and year out, asking the dominion government to assist in relieving the burdens of the operators in this country, and it seems to me that in some cases charity should begin at home, that the burdens that the various provincial governments place on the coal operators of this country are in my opinion at the present time, so far as I have given it any study, altogether rather heavy. They might relieve some of these before they go farther afield to look for support.

BY MR. FRAWLEY: The provincial government will probably in Edmonton next week call to our attention the fact that great coal areas have been alienated from the Crown, and for which the Crown receives no revenue at all.

MR. COONEY: Mr. Chairman, you asked a question this morning and that was how much coal had gone to Ontario under subvention from Drumheller.

BY THE CHAIRMAN: Don't be misleading me. From your organization.

MR. COONEY: That is correct, from all Drumheller mines.

That is in Exhibit "F" attached to the brief, and it gives you the exact totals every year.

BY THE CHAIRMAN: That's fine.

BY MR. FRAWLEY: Now, Mr. Cooney, I don't want to spend too much time on this question of the independent chairman. The fact that you spend so much time in your brief on it rather indicates to me that you regard that as a real problem, do you? Your Association rather?

MR. COONEY: Perhaps in the work of the Association it has more to do with that type of work than it has to do with the financial operation of the mines and actual mining operations, for example, and it impresses itself more heavily. It is an Association matter, whereas many others which are important are not.

Q And you say that is why it has been emphasized here?

A Yes.

Q It is a matter of contract between yourself and the United Mine Workers?

A Definitely.

Q And I suppose if it continues to be a source of friction there will have to be some change?

A That change will have to be mutual, and that is what I was trying to impress this morning, the understanding that we have in our brief is the fact that it would have to be a mutual understanding.

Q In the appointment of this so-called independent chairman that is to be selected, that the District Court Judge function as the chairman of this dispute committee, that is really all it amounts to?

A Yes.

Q Have you ever put that up to the United Mine Workers?

A As I say, we have only had informal chats about it.

BY THE CHAIRMAN: He went into that this morning.

MR. GOUGE: I would like to say a word in connection with this agreement. You mentioned this morning that we provided in the agreement for dominion supervision instead of provincial. I might tell you that that dates back before the Act in the province came into effect. In fact it started away

back in the beginning when we had what was called at that time the old Lemieux Act and it had this provision in it, and so far as the agreement goes the agreement is merely a carrying out of the provisions of the Dominion Act and has been that way ever since we put into the agreement provisions which agreed with the provisions of the Dominion Industrial Disputes Act.

BY MR. FRAWLEY: The agreement can be changed and substitute the provincial government, but I don't want you to pay too much attention to my remark. All the Dominion does is name a chairman when you can't agree on one, and I suppose the Dominion may as well be doing that as John Doe or anybody else. Now there is something, I think it is of some importance, that I would like to ask you and Mr. Gouge about, Mr. Cooney. In the brief of the Mine Workers, filed yesterday, there is a recommendation on page 13 that a freight subvention sufficient to allow movement of coal to the Ontario market be established and that it be made permanent for at least a 10-year period; that only coal suitable for shipping and storage be allowed to enter the market, and that coals not so suited be given preferential treatment in the home market in order that there be no discrimination against districts or against operators. I would like to have your views on that because it has reached my ears that in the past coal has gone down to Ontario under subvention and under a system of free enterprise that has not done ^{the} Alberta coal trade or reputation any good. Now what do you think about that?

MR. GOUGE: Well, Mr. Frawley, I have heard of such instances but I think that that thought has been magnified beyond what it deserves. There has been very careful attention from our mines, I know, to try to send down there coal that was suitable and our reports are very good and the satisfaction that was obtained from our shipments has been the very best.

BY THE CHAIRMAN: Any objections from the purchasers?

A None whatever.

BY MR. FRAWLEY: When you say "our" you are speaking of?

A The Drumheller field. There has been some coal, I presume, that may have been improperly prepared.

BY COMMISSIONER MORRISON: Which includes East Coulee?

MR. GOUGE: Yes sir, that Drumheller field. If you are asking about that whole paragraph, Mr. Frawley, I might say in respect to that suggestion about a 10-year period for a subvention or subsidy that I cannot see any way that could be implemented short of repealing or amending the British North America Act.

BY THE CHAIRMAN: We are not concerned about that.

MR. GOUGE: No government lives more than five years.

BY THE CHAIRMAN: So far as the Commission is concerned we don't want the witnesses who come before us to trouble themselves with the British North America Act.

BY COMMISSIONER McLAURIN: Don't you think there may be some psychological benefit, Mr. Gouge, in Parliament passing a statute, which they could of course repeal next year, recognizing the 10-year period? I mean don't you think it might have some moral value?

MR. GOUGE: It might, but it would be similar in nature to a tariff.

Q Well, forgetting the objections there may be to a subvention because it is in the nature of a tariff--and I am not advocating this or anything. I think it is something we have got to seriously consider if we are going to remain on a fiscal policy of tariffs, it is certainly my view as a Westerner that we are entitled to part of a break by way of subventions if somebody is going to get it by way of customs tariffs. Even though I disagree with the idea of tariffs shouldn't we have something that would stabilize it?

A Why not have it as a tariff to begin with, a tariff on

coal, then the incidence of the tariff would fall upon the people it should fall upon.

BY COMMISSIONER McLAURIN: I will give you one reason: because I think the voting strength rests in the provinces of Ontario and Quebec and they wouldn't let you do it. But I would rather get that half a loaf stabilized by Parliament solemnly enacting a statute than no loaf. Don't you think it would have some psychological and moral value?

A You may be right. I am just expressing my own individual views.

BY COMMISSIONER McLAURIN: We are having the benefit of that discussion.

BY MR. FRAWLEY: Just let us assume that the Drumheller coal has always gone down suitably prepared and has been accepted in the Ontario market, but do you agree with the proposal that by regulation or otherwise there should be a definite policy laid down that no coal should go down into Ontario or Quebec under subvention which is not suitable, even though that may be arbitrary and may be objected to by some of the producers. What do you think about that?

A I have always felt, being a strong advocate of free enterprise, that that is a matter that will regulate itself. It doesn't take very long for the purchaser of any commodity to determine what kind they want. The man who started shipping a low-grade product, poorly prepared product, would very soon find himself out of business. The natural law of competition would take care of it. I don't think we have been so seriously hurt by the shipment of poor coal that we have got any grievance.

Q You said at the beginning that you thought it was perhaps magnified and what I am suggesting to you now, it may have been magnified before it reached me, but do you think there is any danger of the Ontario consumer saying, "If this is Alberta coal I don't want any more of any kind of Alberta coal," and in that way having a bad effect on the market?

- A There might be a bad effect but it would only be with the consumer who got it and he would change to something better the next time.
- Q How what do you think about the proposal of a central selling agency that was made by the United Mine Workers? Have you given any thought to that in the past?
- A A great deal. In fact we have tried to establish such a selling agency even for the Western provinces, not only for Ontario. I haven't any doubt whatever that if there is a market opened in Ontario which is of any magnitude, any continuity, we will have a central selling agency to handle the whole amount of coal that goes to that province, regardless of whether that applies in other provinces or not. I feel quite certain that will come.
- Q Well, what is the kind of central selling agency you visualize, compulsory like the British Columbia Fruit Boards or just a voluntary thing?
- A Oh, no, no, a voluntary one, by all means.
- Q You wouldn't have an agency which would have the power to handle all of the coal to be sold?
- A No sir.
- Q So that any individual operator could bypass the central selling agency if he wished?
- A I think there is a case again where the natural desirability would make him use it, because we could reduce the commissions to such an extent, and his expenses of operation so much that he would be glad to join the pool, you might call it, without any compulsion whatever.
- BY COMMISSIONER MORRISON: Even those who now have their own selling agencies?
- A I think so.
- Q Do you think Mr. Harvey would agree with you in that respect?
- A I can't speak for him.
- Q I thought this was the considered view of your Association?

BY MR. FRAWLEY: Who is Mr. Harvey?

A He is the general manager of this Calgary branch.

Q Well now, you know the people that Mr. Morrison is talking about?

A I do, very well.

Q They have a selling agency?

A Oh yes, all the mines now have a selling agency for the Western market but that has not been of use in Ontario because the quantity of coal that has gone down there has been very small.

Q How about Winnipeg and Vancouver?

A They are within the territory we call Western.

BY COMMISSIONER McLAURIN: Occidentals sell all the coal in Winnipeg.

BY MR. FRAWLEY: Is that a selling agency?

A Yes sir, that is the selling agency for the Grain Association.

Q That is not controlled by the Drumheller operators?

A Oh no.

BY COMMISSIONER MORRISON: That doesn't stop them from taking their cut, the fact that you don't control them?

A I don't exactly get you.

Q It doesn't stop them from taking their commission?

A No.

BY MR. FRAWLEY: They sell it for a commission?

A Yes. Coal is not the only commodity that is sold for a commission.

Q Well now, you say that this central selling agency you have would like those agencies that Mr. Morrison has mentioned to continue to function?

A They won't function in Ontario. I am speaking entirely of the possibility of a market in Ontario.

Q You don't want the selling agency to function with regard to your own economic sphere, just the subvention area?

A If I understand you, I am trying to leave this impression with you, Mr. Frawley, that in the Western portion of our

country, where we sell our coal now, there are numerous selling agencies. They all get a commission on the coal they sell. In Ontario it is virgin territory practically for us. If we ever establish any market there we will endeavor to do so on the basis of the greatest saving in expense and costs, so that we may be more able to compete, and to do that I think it will be necessary to have a pool that can function for the actual cost of what it takes to sell the product and distribute it.

BY COMMISSIONER MORRISON: Now that you have established a principle for the distribution of coal in Ontario, with which I may say I am in hearty accord, don't you think if that principle is sound for the province of Ontario it would be equally good for the market in the western provinces?

BY COMMISSIONER McLAURIN: No, no. Ontario is a subvention market; it should operate at cost. As long as you have the western provinces a free enterprise area they sink or swim on their own efforts to sell coal. If they want to give away calendars and pencils, let them do so.

BY MR. FRAWLEY: I would like to get Mr. Gouge's opinion.

MR. GOUGE: There have been attempts made to consolidate the selling agencies for territory west of Winnipeg. They have not been successful. The reason is that that territory is very highly competitive and up to the time of the war no mine had enough business and there was very strong competition between the mines and it was impossible to organize a selling agency that everybody would join. Even though we argued it had advantages and would possibly result in more money there were a great many, as Mr. Cooney says, wheels within wheels. There are some mines that have their own selling agency; and a mine and a selling agency are correlated or associated together.

BY COMMISSIONER MORRISON: Bookkeeping entries.

MR. GOUGE: Well, it is more than that.

BY MR. FRAWLEY: Are you saying these selling agencies that have been established in the area in which you sell your coal without any government aid have not been successful?

MR. GOUGE: No, the selling agencies are numerous. I mean the central agencies have not been successful.

Q Do you advocate yourself the principle of a central selling agency to reduce costs to the minimum?

A I have done so very strenuously.

Q If it is a good thing, and I mean a necessary thing, when you are going to function on government money, is it or is it not a good thing standing on its own feet?

A That would be my own personal opinion and I would say yes, but I am not speaking for anyone else. I may tell you in a limited way now we do have a large part of our product sold through a central selling agency which Mr. Cooney here operates, and which is a branch of our Association.

Q What is it called?

MR. COONEY: Drumheller Coal Operators, Limited.

MR. GOUGE: That agency was organized some years ago as a limited company to engage in selling coal but it never got very far, but it has handled the slack coal and nut and pea, and during the last three or four years when the Government has got considerable quantities of coal for stokers they bought all their coal from our Association, and every mine is given its quota and delivers its quota through that Association. Now it is functioning very well in respect to the coal below two inches.

BY COMMISSIONER McLAURIN: As long as you have Mr. Taylor over here running it.

A We get our share of the government business.

BY MR. FRAWLEY: Of course it is a legitimate occupation to operate a wholesale agency, a middleman in the coal business?

A Oh yes.

Q Coal Sellers Limited is one of those animals, isn't it?

A Yes Sir, a very respectable organization.

Q And doing very well?

A As far as I know.

Q There is only one more question. I don't want you to think I am facetious about it. We have heard a lot about holidays in the Drumheller coal field. There is an awful lot of holiday time. I wonder why it was thought necessary to have two weeks holidays in the Drumheller field when your great desire is to get 240 days a year working time?

A I wish you would go and ask Judge O'Connor that question.

BY COMMISSIONER MORRISON: Add to that "with pay", Mr. Frawley.

BY MR. FRAWLEY: Because two weeks is nothing in the life of a Drumheller miner, unless he wants to go back to the farmhouse on holiday about one-third of the year.

MR. GOUGE: And even in the very pressing crisis of full-time employment they are absent a great deal of the time.

BY COMMISSIONER MORRISON: You are not quarrelling with the merits and justice of the case, surely?

MR. GOUGE: I would like to interject here, if I may, I was surprised yesterday at the reluctance of some of the steam coal men to say that the income tax had any effect upon absenteeism.

BY MR. FRAWLEY: Oh yes. You tell us about that.

MR. GOUGE: I am very, very certain that it does have a very pronounced effect and I get that directly from the men who are absent and who stay off two or three days in each pay. Our men come and tell me they don't want to work over 9 days in a pay, which is 12 or 13 days; 9 days is enough.

BY THE CHAIRMAN: There were just one or two questions I wanted to ask. You are asking here for assistance that would involve the establishment of training courses and apprenticeship programs. Have you no such thing in this province?

MR. GOUGE: That is an important question, Your Honour.

In this province we have certified miners, that is they are certificated miners, and there is no way that new miners can be trained in this province. The Act provides that a man must be one year at the face to get a certificate, and yet he can't get to the face till he gets a certificate.

BY COMMISSIONER MORRISON: Oh, now Mr. Gouge, there are more than one kind of certificates.

MR. GOUGE: There are. They are up at Edmonton right today trying to abolish the "B". During the last couple of years we have had a "B" class certificate.

BY THE CHAIRMAN: Was no attempt made by the government of this province to co-operate with the dominion plan for training miners, both hard-rock and coal?

MR. GOUGE: I have not heard of it.

BY MR. FRAWLEY: You mean you have not heard of the co-operation or of the scheme?

A I have not heard of the co-operation.

BY THE CHAIRMAN: You are recommending that market prices of coal be maintained at levels sufficiently high at all times to provide for the cost of production. Whom are you asking to maintain those coal prices?

MR. GOUGE: You will have to ask Mr. Cooney.

MR. COONEY: It is all part of the main equation.

BY COMMISSIONER McLAURIN: I am confused enough now. Don't get me into algebra.

BY THE CHAIRMAN: You are recommending that, and who are you asking to be the judges or to issue the order that coal prices should be maintained at certain levels?

MR. COONEY: That is not the---

THE CHAIRMAN: ? You are speaking of post-war?

MR. COONEY: I am speaking of peace time, yes. The meaning of that is not that someone should maintain prices by order but that prices should be at a sufficient level.

The cost of production should be included in the price and the price will remain able to compete with imported coal.

Q Well, how is this Commission going to help you? Why make the recommendation to the Commission unless you have in mind some authority? As a matter of fact didn't you have in mind some dominion control when you wrote that?

A No, I did not.

Q Well then, it had been better left out, so far as this Commission is concerned. You come to another one:

"Provision for marketing of coal at prices which can compete with imported coals to an amount of production which would secure for mine and mineworker an adequate working year." What is your idea about that? It is very general in its tenor. What provision?

MR. COONEY: One thing would be the possibility of--Mr. Gouge has already suggested where two years ago I believe it was when mines went on slack time in the United States there was an embargo placed on Western Canadian coal going into the United States and it would be the same idea, possibly that for every ton of coal, American coal, bought by a dealer, he would be required to buy a proportionate amount of Canadian coal. That would be one method.

Q That is who should buy a proportion?

A The dealer in Ontario.

Q Isn't that again are you suggesting some control, some government control?

A Yes. One more thing, Mr. Chairman, in that regard would be because of the employment wastage which we show in these charts.

Q I know all about that. All I am getting at is when you ask us to do a thing, how is it going to be done and by whom?

MR. COONEY: The other portion of the same suggestion includes the policy to educate as strongly as possible the Ontario market to buy as much of our surplus coals as they can possibly use, and if possible at all to take as much of it during the summer months as can be stored inside.

Q Well, I suppose you can't make those people in Ontario do that precise thing unless there is some authority to make them do it?

A I think we can by strong publicity over a period.

Q Well then, that is your business, not ours.

A For the good of the national interest I do think it is the province, the dominion and the operators.

Q You say it could be done by publicity. Publicity by whom?

A By all parties.

Q Then we have nothing to do with that. That is for the operators and the miners and everybody else who are really interested in coal.

A Including the province and the dominion.

Q That is exactly what I am coming to. You are asking for some governmental control?

A No, governmental publicity is what I mean.

Q I think something was asked you in respect of the mechanization.

BY MR. FRAWLEY: At the top of page 5 there is a short reference to financial assistance to the mines to encourage the purchase of new equipment, development, mechanization, and more efficient mining methods. Is that what you are looking for?

BY THE CHAIRMAN: Yes.

BY MR. FRAWLEY: I think he covered that.

BY THE CHAIRMAN: And of course that would be only in the nature of a loan?

MR. COONEY: I wouldn't like to answer that.

BY THE CHAIRMAN: I am only looking for information as to what you people want. We hope if your wants are reasonable to make some recommendations.

MR. COONEY: I would say instead of loan, investment perhaps. As I mentioned to Mr. Frawley this morning, post-war reconstruction and rehabilitation moneys are going to be used to create employment. It would be advisable to use some of those moneys ---

Q I don't know if they are going to be used to create employment. I hope any rehabilitation will be for the purpose of doing something more than creating employment. Creating employment is all right. You are looking for a good deal here. "Funds allocated for post-war purposes might well be invested in coal mining in Drumheller." That leads me to believe that you would want the funds really invested.

A That includes the mining industry. As far as Drumheller is concerned that might apply to marketing.

Q In other words, do you want the government of this country to be a partner in coal operations?

A No, to assist.

Q Well, surely if they invest money ---

BY COMMISSIONER McLAURIN: -- partner is sometimes better. He has to share the losses.

MR. COONEY: They might assist in endeavoring to put in training programs for men.

BY THE CHAIRMAN: Oh yes. I am not saying that you are wrong in what you are asking for but I just want to get it clearly. "New equipment might be purchased; mechanization and greater efficiency might be fostered through the availability of those funds." What do you mean by the availability? To give you those funds or to get them on loan? I just want to get something definite about this. What is your idea? That the government of this country

should give you money for the purchase of this mechanization, or that the government should loan you money?

A If the provincial government, for instance ---

Q Just a moment. My question demands yes or no, one or the other. Do you want to be in a position to borrow money from the dominion government at the lowest possible rates, or that the dominion government, or any government, will give you money to buy machinery?

A No sir.

Q Well then, it is a loan?

A It is not even spent that way perhaps.

Q How are you going to spend it? I am going to ask you on what understanding or contract you want the governments of this country to assist in the mechanization of your Drumheller mines?

A The assistance is indirect, sir.

Q From what is here there is nothing indirect. "Funds allocated for post-war purposes might well be invested in coal mining in Drumheller." That is general. "New equipment might be purchased; mechanization and greater efficiency might be fostered through the availability of those funds." I am referring now to equipment for mechanization purposes.

A That if a program of drilling were to be put through ---

Q Now mechanization of mines has nothing to do with drilling?

A It is a consequence, sir.

Q No, you are talking about mechanization. You are asking us to assist you in getting money for the mechanization of your mines. How do you expect the government to give it to you, a gift or on loan? I want you to be quite frank about this thing. If you think that the government of this country should assist by a gift, say so. If not, say that you are only entitled to get it by way of loan.

A If I could get my point clearly ---

Q Well then, I don't want to hear you any further if you are

not frank enough or courageous enough to say exactly what you mean. There are only two ways: first, a loan; secondly, a gift.

A I don't mean loans to mechanization direct, sir.

Q Well then, your brief is all wrong.

A The suggestion is that if the marketing is stabilized and the mines are not working slack time, there will be a sounder investment in Drumheller by business, mines and everyone else.

Q That is not what you are saying in your brief at all.

A "Fostering", sir.

Q I am calling your attention to page 21: "New equipment might be purchased; mechanization and greater efficiency might be fostered through the availability of those funds." The recommendation on mechanization is one of the reasons why it should be invested. However, if you don't want to pursue it it is perfectly all right.

A The best straight answer I can give would be, if the Commission after due consideration found that it was advisable to place money by loan or by gift in the industry, then I would say, go ahead.

BY MR. FRAWLEY: Do the Drumheller operators produce coal for railways?

A Yes.

Q In competition with what are called the steam operators?

MR. GOUGE: No.

Q How do you mean, no?

A I mean that the only coal that our Association or our members sell to the railways is for station use. We don't sell locomotive coal, coal for use in railway engines. We do sell them a limited amount of coal for station use.

Q Is that because the coal itself is not suitable for use in raising steam in locomotives?

A It will raise steam fast enough, but our coal is non-coking

coal and in the equipment used in Canada on the locomotives non-coking coal is not efficient; it blows up the smokestack, for instance, and makes too many sparks. In the United States, where they have the Cyclone spark arresters, all the western lines in the United States are using sub-bituminous coal, but our Canadian equipment is not adapted to it.

Q Anyway it just is not used? The train that runs from Calgary to Saskatoon, going right through the Drumheller Valley, uses coal that is produced?

A In the mountains.

BY THE CHAIRMAN: I just wanted to say my examination of you I don't think met the eye of the gentleman beside you, because he is one of the few operators in this country who refused to accept from the dominion government money to overcome his losses in a certain mine in this country.

MR. GOUGE: I might say in that connection I didn't see that part of it; I didn't notice it.

BY MR. FRAWLEY: Mr. Cooney, you also are going to present the brief ---

BY COMMISSIONER McLAURIN: Just before you leave that, if everybody else is through I just have one question to ask Mr. Gouge. With respect to this central selling agency for the Ontario market--and perhaps I might say that I guess from a point of principle I am not very much more interested in subventions than you are. I know your views well enough to feel that perhaps we are in agreement on them. We would like to get to a market on an economic basis, but if for the moment you will assume that we are going to have subventions, and as a Westerner I am not disposed to throw subventions out the window so long as we haven't got Central Canada giving us a free trade fiscal system, but what would your view be to the dominion government stipulating that no subventions would be paid any operator unless his domestic coal went to the assisted area

through a central selling agency? Not run by the government but one organized by the industry themselves if they will get together and do it.

MR. GOUGE: That would be a competent provision and one entirely within, I think, the authority of a government which assisted in that manner. They could make the assistance on any terms they chose.

Q I mean would you be rather favorable to it?

A I would not object to it. I might say generally speaking with respect to the subject of subsidies and subventions, I am not entirely opposed to such assistance as an emergency measure, or at times when assistance can be given to start something. I am only opposed to the idea of trying to establish a first class, No. 1 industry in this country, or any other, which has to be supported by government for its permanency.

Q That is true, but let us look at the realism of the picture. We had them from 1932 and although you don't like them and I don't like them and probably others don't, there is always the possibility we may have them for another 10 or 15 years, and as you know, there are various members in the industry who want them, but I am asking for your observations as to the desirability of the dominion government saying, "We are not giving subventions in the Drumheller Valley unless they are in a central selling agency"?

A Well, that would be entirely a matter for the dominion government to determine themselves.

Q If they determined that that should be the stipulation you wouldn't have much quarrel with them, personally?

A I would not oppose it.

BY MR. FRAWLEY: I wonder what Mr. Stubbs thinks about it.

BY COMMISSIONER McLAURIN: I am talking about domestic. We mustn't get the two mixed up. I don't think you can tie these two types of fields together in one selling agency.

Ninety percent of your bituminous goes to the railways and for industrial purposes. This domestic coal goes to the homes. This domestic coal is sold in Ontario through retailers, and if you are going to have a central selling agency you are going to have one for the domestic coal.

BY MR. FRAWLEY: What I was struck with, Mr. Gouge, was your suggestion that if you have to have government assistance then you have to put up with a certain measure of government control?

A My view is that if they are going to take government money to get into that market, that is where they should be. Once they are taking \$2.50 to get into that market --

Q What applies to the domestic applies equally to the steam operators to the extent that they are functioning on government aid?

BY COMMISSIONER MORRISON: I wonder if your Association--you are going to have another brief--if you could show the Commission, tonnages from each mine of the members of your Association and through what agency these tonnages are now distributed?

MR. COONEY: I think so.

Q And added to that the commissions paid to such agency on each type of coal, because I would be very interested to see that picture, as to what it is costing. I see one of your members shaking his head, but if we can't get it that way there may be other ways we can get it.

A That might be supplied by the individual mines, as far as commissions are concerned, but it can't be through our Association very well.

Q You just told me that you were agreeing with me as to the list of the agencies through which the tonnage was being distributed. You said you could do that. Then the commission that was paid to those agencies?

A We would have to get that from the individual mines, and naturally that is not a --

BY COMMISSIONER McLaurin: Not the commission, the spreads.

BY MR. FRAWLEY: I was going to say that.

BY COMMISSIONER MORRISON: I think the whole Commission have expressed a desire to get that picture for the whole of Drumheller.

BY MR. FRAWLEY: But Mr. Cooney doesn't have that information, because when Mr. Cooney has it then they all have it.

MR. COONEY: It is private business.

BY COMMISSIONER MORRISON: Mr. Frawley, will you see that that inquiry is directed to the various companies.

MR. FRAWLEY: Yes. .

MR. COONEY: Commissioner McLaurin suggested control for subventions. I was just going to ask you what you would think of this, and that is that a subvention is much in the nature of a tariff and if you were to accept the fact that government control should enter into the mining industry because it obtains subventions, then you would have government control in the whole manufacturing in the country.

BY COMMISSIONER McLaurin: Oh no. Manufacturing has a tariff. Coal gets 75 cents tariff and a subvention; gets it both ways. You are getting it both ways in the coal industry; you are getting a tariff and getting a subvention too.

BY MR. FRAWLEY: Not only that, but you are sending coal into the United States, in small measure perhaps, there is no tariff against it.

MR. COONEY: But when they are on slack time they can put an embargo on our coal altogether.

(Page 2179 follows)

BY MR. FRAWLEY - Now Mr. Cooney will you proceed with the next Brief, that of the Domestic Coal Operators' of Western Canada.

Exhibit No. 126 - Brief submitted by Domestic Coal Operators' Association of Western Canada.

MR. COONEY then reads Exhibit No. 126, as follows:

I. GENERAL

This Association was formed at a meeting of Alberta Coal Operators held in Calgary in November, 1944. Representative opinion from established fields agreed that the formation of such an organization was necessary to attain the following objects which are set forth in Article 2 of its Constitution:

- (a) to protect its members in the enjoyment and exercise of their lawful rights, privileges and responsibilities as producers of coal and employers of labour;
- (b) to safeguard and promote the stability, development and advancement of the coal industry, particularly with respect to domestic coal operations throughout Canada, without detriment to the interests of any one member, by the utilization of research, publicity, and any other lawful means;
- (c) to promote the improvement and employment conditions, the stabilization of business and the steady improvement of labour by encouraging friendly relations between employers and employees and by discouraging lockouts, strikes, boycotts and all kindred movements;
- (d) to protect its members in their inalienable rights to manage their respective activities and operations in such lawful manner as they deem proper and to oppose all unfair interference with such rights by any individual, organization or movement;
- (e) to do all such things as may be agreed upon for the advancement of the interests of the members and to speak with one voice for the domestic coal industry.

BY COMMISSIONER MORRISON - Have you achieved number (c)?

A. We have done very well, Sir. We represent close to three million tons of coal, and at the Annual Meeting held last Monday they spoke quite well amongst one another as a single voice.

Q. Actions speak louder than words?

A. Quite so. We are young.

MR. COONEY continues Brief.

It was felt that domestic coal operators had hitherto been handicapped in making their mutual interests known, chiefly

because no joint organization existed which would enable them to present their views as a naturally related group through a single voice.

Two organizations of domestic coal operators did exist at that time, namely: The Northern Alberta Coal Operators' Association with headquarters in Edmonton, and the Drumheller Coal Operators' Association. Both organizations agreed that a broader association was needed, one which would be open to all domestic coal operators, in order to correlate the various views of all domestic fields and protect their common interests. Most of the members of each of the localized groups joined the Domestic Coal Operators' Association of Western Canada.

Many domestic coal operators were invited to join the newly formed Canadian Coal Operators' Association about this same time. Whilst almost all were in favor of the existence of such an organization, most were disappointed that its constitution made no provision for equitable representation of the domestic coal industry on its executive council. Such a nation-wide organization would be most welcome if its Executive Council were to comprise equitable representation perhaps on a tonnage basis, from both major branches of the industry, that is bituminous and domestic.

"The Domestic Coal Operators' Association is at all times a most necessary organization both from the standpoint of domestic coal operators themselves and for the benefit of those who have dealings with the domestic coal industry."

BY THE CHAIRMAN - Do I understand that none of the domestic operators belong to the Canadian Coal Operators' Association?

A. I believe they do.

Q. And are some of them within your organization too?

A. I could not say, but I think there are Sir.

MR. COONEY continues Brief

The Association as yet is representative of the Alberta operators only and can therefore, at the present time, speak only for the Alberta operators. Attached hereto and marked Exhibit "A" is a list of its member mines which stand for in excess of 2,500,000 tons of production and are representative of Alberta's major fields - Saunders,

Alexo, Lethbridge, Drumheller, Edmonton, Foothills.

The various fields each have their own localized problems and will bring forward to this Royal Commission individual submissions. The purpose of this brief is to bring forward for your earnest consideration, Honorable Sirs, only those aspects of domestic coal operations in Alberta which are common to all fields. One of these aspects - transportation of coal, will be dealt with in a separate brief to be presented by Mr. Jesse Gouge.

(a) Exploration.

Canada is not in a position to scientifically study her coal economy nor to adopt basic programs of development and conservation until such time as we have ascertained in so far as possible, the full extent of our coal reserves. The true economy of each particular field can be understood only upon completion of a dependable survey of its reserves. It is recommended that this Royal Commission urge upon governments, Provincial and Federal, the necessity of intensive exploration by systematic drilling programs in all established coal areas.

Much of the capital required for the conduct of such exploration would be returned if those who desired to mine coal after the completion of the program in any area, were required to pay the cost of exploration carried on in the area.

Such exploration would tend to give the mineworker more confidence when settling down in a mining community. His investment in the field would be more sound and the whole community more stable.

(b) Training and Apprenticeship

(1) Officials: Every incentive should be given to mineworkers to advance themselves and become competent firebosses, pitbosses and mine managers, by means of special training courses conducted by University authorities in conjunction with the Department of Lands and Mines.

There is a shortage of coal mining engineers in Alberta and the importance of the natural resource itself would indicate the advisability of encouraging engineers through specialized courses to take

up coal mining as a career. A very small percentage of engineering students specialize in coal mining.

(2) Mineworkers:

The average age of mineworkers in the domestic coal mines of Alberta is steadily advancing and it is estimated that the average age now is in excess of 50 years."

BY MR. COONEY - That expression of amount, 50 years, might be more accurate if we were definitely to apply it to underground men, I think.

MR. COONEY continues Brief

"Prior to the outbreak of war, there was a steady decline in the number of young men entering employment in the domestic coal fields. The experience of mineworkers in the 15 years prior to the outbreak of war did not constitute an incentive for young men to enter the industry. Slack periods, we feel to be one of the main causes for such lack of interest since slack times deprived the mineworker of an income sufficient for the whole year and he was forced in order to maintain a sufficient income, to leave his home during slack periods and obtain temporary employment as best he could elsewhere.

If markets for the domestic coal fields can be stabilized, coal producers would be in a position to offer steady employment and interest young men in coal mining.

(c) Legislation

(1) It is recommended that Governmental departments whose legislation and administration affects the coal industry, should maintain a constant liason with other departments in order that legislation and Governmental administration may at all times be sound and truly applicable to the industry. There have been instances where production costs have been raised through the activities of one department of government whilst that department considered consequent price stabilization a matter for some other department. Similarly, labour controls have been applied to industry generally including the coal industry where such general controls were inapplicable.

(2) Dependibility of Administration

Where an understanding has been arrived at between the

industry and a government in consequence of which a certain subsidy or subvention is decided upon, it is submitted that the industry should be able to depend upon a constant administrative policy governing such subvention or subsidy. For example, where conditions merit the creation of approduction subsidy and the policy governing the administration of such subsidy has been agreed upon, there should be no variation in such administrative policy while conditions remain the same.

A production subsidy was established in 1944 to compensate for the increase in production costs which had been caused by wage increase and incorporation of the cost-of-living bonus into the wage scale and which had not been compensated for by price increase. The Emergency Coal Production Board agreed that where a mine could not absorb such increases, a subsidy would be paid up to a maximum amount to cover actual production losses plus loss in revenue over and above actual cost of production to the extent of 15¢ per ton. At a later date, however, the Emergency Coal Production Board withdrew the 15¢ loss of revenue allowance and agreed to pay only actual operation deficits.

At a later date again, the administrative officers apparently hesitated to compensate for the whole deficit and applied certain portions of the subsidy to specific items in the financial statements of the company. The result has been that companies showing a distinct loss in the over-all picture may not receive subsidy compensation in full but rather a maximum on certain items and it may be that the company showing a loss may receive subsidy for only a portion of that total loss.

There has been complaint also from some fields that where a subsidy was agreed upon for a district, yet the administrative authorities have varied from that understanding and are paying a different production subsidy to different mines in the same district.

Where subventions have been agreed upon for transportation and distribution in a certain market such subventions must be made dependable in order to merit investment in that market by the mine. For example, there has been a hesitancy in building up business relationships with the Ontario market since subventions are not dependable. Ontario dealers, although they may prefer to have Alberta coal, naturally hesitate to

close out their relationships with imported coals because they do not know when the Ontario market may be no longer open to Alberta coal. They fear the threat of being deprived of Alberta coal after having closed out their business relationship with other coal.

Your earnest consideration, Honorable Sirs, is solicited to the request that hereafter in all administrative bodies established by the Federal Government having jurisdiction over some aspects of the coal industry, such bodies include a representative of coal operators suitable, appointed if possible upon the advice of the industry itself.

This Association recommends for your consideration the lowering of customs duty on mining machinery. This point is dealt with more fully in the Drumheller Coal Operators' Association brief but the recommendation is made herein on behalf of all fields. Excessive duties are levied on machinery parts when they should be included under the classification division - "mining machinery".

As a result of excessive customs duties and taxation, it is estimated that coal mining machinery costs to Canadian mines are fifty per cent. higher than they are to American mines with whom we are then required to compete in our own country markets.

(d) Elimination of Slack Periods

This is perhaps the most important and far-reaching aspect to be considered with relation to the future mining of Western Canada's domestic coal. The instability of Western Canada's domestic coal industry is largely the result of steadily recurring slack periods. If Western mines are to be depended upon by Western Canadian consumers in the winter months, some guarantee is necessary that sufficient coal may be mined and marketed during the off season to retain labour in the mines for the necessary peak periods. If arrangements could be made that 500,000 tons of coal could be mined and marketed during the spring and early summer months whether they be marketed in Ontario or in the Western United States, it would be a small matter in reciprocal trade agreements, would cut but a small swath in the millions of tons of American coal imported to this country each year and yet would provide several thousands of citizens in Saskatchewan, Alberta and British Columbia with constant year round employment.

(c) Reduction in Distribution and Transportation Costs.

The cost of production must have, at all times, a distinct bearing on the price of coal to the consumer and unless the net revenue to the mine includes the total cost of production plus a reasonable return on investment, Alberta's domestic coal mining industry can only fail. At the same time, the price to the consumer must be stabilized to enable the coal to compete with other coals in the market. Therefore, every effort should be made to reduce the present high cost of transportation and distribution of Western Canada's coal to protect the industry because of its employment value alone if for no other reason."

BY THE CHAIRMAN - I suppose you know there is going to be perhaps one body in this country that has authority to deal with freight rates. The Board of Transport Commission. You know that, and that any applications either for lower freight rates, or higher freight rates, must be made to that body.

A. Yes.

Q. I am not suggesting that that can prevent us from making representations.

MR. COONEY continues brief.

(f) Workmen's Compensation:

The assessment upon the mines under the Workmen's Compensation Act has increased from 3.75% of the payroll in 1930 to 11% in 1944. "

BY MR. FRANLEY - Those are Drumheller Valley figures?

A. Oh no.

Q. They are the figures that were in your brief?

A. They are the same for the classification.

BY COMMISSIONER MORRISON - You are aware that they are the same for the coal industry as a whole; no differentiation.

MR. COONEY continues brief

Nor is the increase in percentage a true indication of the rise in cost of compensation to the mines. The 3.75% rate in 1930 was on a much lower payroll than that upon which the 11% present rate is assessed. The recent wage increase granted under the O'Connor Award, the holidays with

pay provision and incorporation of cost-of-living bonus into the wage scale, all increased the amount payable by companies to the Workmen's Compensation Board although the assessment rate remained the same.

There is no intention of suggesting that benefits are too high but the operators do contend that assessments under the Workmen's Compensation Board come legitimately within the total cost of production and should be compensated for in the price of coal to the consumer who is the principal beneficiary of coal mining.

It is thought that absenteeism has been caused in some cases by the fact that compensation benefits can be greater than earnings under the present system of assessing income tax."

BY COMMISSIONER MORRISON - At that point, what facts have you to back that statement? Any statistics?

A. I think we could produce for you an instance, which we would be pleased to do, that would show where a single man who was on compensation was, because he paid no income tax on his compensation benefits, was getting more than he was going to get if he had worked in the mine.

Q. That is one man?

A. Yes.

Q. Have you any more instances?

A. I have only known of one.

Q. In these whole domestic operations of Western Canada, you are the Secretary of that?

A. Yes.

Q. You know of one instance that would cause you to make this observation in your brief?

A. No, it was also on the possibility that if that particular case could exist, others might exist.

Q. For which you had no proof whatever, other than this one case?

A. That is right.

Q. And as Secretary of the Domestic Coal Operators' Association of Western Canada, you know of but one incident to back up this statement?

A. That is right. It is not made as a positive statement; it starts off with "It is thought".

MR. COONEY continues Brief.

"There have been instances where single men injured at work have received more money by remaining away from work on compensation than they would have received had they returned to work. While off work on compensation, he received 66-2/3% of the wages he would otherwise have earned and this money is not taxable for income purposes, whereas if he had returned to work he would have received less than 66-2/3% of actual earnings after income tax had been deducted."

BY COMMISSIONER MORRISON - Now Mr. Cooney, you are not trying to tell the Commission that a workman on compensation in Alberta received 66-2/3% of his actual earnings?

A. Oh no. His actual average earnings.

Q. There is quite a difference. Is it not true that he received 66-2/3% of his average annual earnings for the 12 months?

A. Yes.

Q. Which would be a lot less than 66-2/3% of his actual earnings if he was working steadily.

BY MR. GOUGE - It might not be more, because he gets free living if he is in the hospital, compensation pays that.

Q. It does not say he was in hospital.

A. Most of the men on compensation go to hospital.

Q. Most of them?

A. I have not definite information, but single men who have not any homes go to the hospital to be treated.

Q. We will take the area of your Association, which extends from East Coulee, Wayne, and Rosedale. I understand that area is largely served by the Wayne Hospital.

A. Not largely, but partially.

Q. The great majority of the men employed in the mines in that area make a monthly contribution to the Wayne Hospital, do they not?

A. I would not be able to answer that.

Q. I am suggesting to you that that is so, and assuming it is so. Do you know how many beds the Wayne Hospital has?

A. I am quite sure it is not true with respect to Rosedale.

Q. Leave Rosedale out. Do you know how many beds are in the Wayne Hospital?

A. That is a privately owned Hospital, and the Drumheller Hospital is a Municipal matter.

Q. I am talking of Wayne. Do you know how many beds are in the Wayne Hospital?

A. I would not know.

Q. Do you know Mr. MacDonald?

A. by Mr. McDonald - Twenty-five.

Q. That would not suggest that those people could be in the Hospital all the time; considering the women folk and the kiddies that have to go there too, would it?

MR. COONEY continues Brief

(g) Research

The outlook for Alberta's domestic coal as fuel depends to a very large extent says one authority, upon

- (1) Projected irrigation schemes as postwar projects which will, if they materialize, mean dams for water storage and probably hydro-electric development of the dam sites with consequent inroads into the use of coal for cooking at least.
- (2) Present experiment and proposals in the matter of rural electrification which, if they prove successful, would have a similar effect.
- (3) Large gas fields now known and conservation of gas for example, in the Turner Valley and probably in other fields to be developed, which will eventually mean additional pipe lines to cities and towns adjacent to such pipe lines, to provide gas for heating and cooking.

On the other hand, we have the prospect of more population and if the proposed irrigation schemes go into effect and if the possible inroads of hydro power and gas do not balance this, there should be an increased demand for domestic coal. There is also the possibility of making gasoline and other products from sub-bituminous coal, the prospects of which are off-set to a great extent by the fact that gasoline can at present be made more cheaply from natural gas.

It is submitted that the potentialities of domestic coal through research may be exceedingly great and with the vast resources which Canada possesses in coal, every effort should be made through

systematic research on a large scale, coordinated with research being conducted in other countries, to obtain the greatest possible use for our coal at the earliest possible date. We expect that the matter of carbonization, liquifaction and hydrogonation is being dealt with more fully in the Provincial Government's brief and it is not our intention to discuss the technical aspects in this brief, but research into those technical aspects should be conducted more broadly and with greater synchronization in order to obtain the greatest economic benefit therefrom.

Bureau of Mines Testing Station

In Ottawa, there is a fully qualified staff of chemists and chemical engineers working in fuel research laboratories and some work has been done in fuel testing and analysis. Very valuable information on the behaviour of Canadian coals and fuels under various tests have been made available to the public.

Canada does not possess, however, a fully staffed and equipped testing station for mining equipment. We are dependent upon the United States Bureau of Mines' approval of permissible mining equipment or British Government Flame Proof approval from their station at Buxton, England. We are forced to go outside Canada for all our flame proof permissible mine equipment.

The United States Bureau will not approve electrical equipment unless it is attached to the mechanical equipment it is designed to drive.

Therefore, a large percentage of our underground machinery is manufactured outside of Canada. The large electrical companies both in the United States and Britain have subsidiary outlets in Canada which could be furnished with plans and specifications of all flame-proof equipment approved by their company in England or in the United States and manufacture that equipment here if we had a testing station in Canada capable of approving the equipment.

Furthermore, without a testing station in Canada, our Mines Department is asked to approve all equipment for underground use and unless this equipment carries the United States or British approval, the Department of Mines has nothing to guide it with respect to the safety of the equipment and must either turn down what may be perfectly safe

equipment or take a chance of allowing potentially hazardous equipment to enter the mines.

Without a testing station in Canada, our collieries' engineers and electricians are given no incentive to design equipment since they are forced to go outside the country for a test as to its suitability and approval for underground use.

For the benefit of the Canadian mining industry therefore, it is submitted that there should be established a branch of the research council of the Dominion, a testing bureau employing thoroughly trained engineers with the best available scientific equipment which would be capable of performing the dual function of testing all proposed mining equipment and have the power of approving equipment found to be satisfactory for use in Canadian mines.

THE ECONOMIC IMPORTANCE OF WESTERN CANADA'S DOMESTIC COAL
AND ITS POSTWAR POTENTIALITIES

Coal has a dual effect on our life and on our economy. Firstly, it has a production value aspect as an important industry in the Province where it exists. From this standpoint alone the coal industry plays an important role in the economy of five Provinces, creating new money in each annually and providing employment for thousands.

In Alberta, coal produces for the general coffers of the Province, hundreds of thousands of dollars annually in paid royalties, direct employment for more than 8000 people with an annual payroll of 15 million dollars."

BY THE CHAIRMAN - Is that 8000 figure for what? For the domestic mines?

A. That is all, inclusive.

Q. Domestic?

A. All Alberta mines.

Q. Eight thousand men?

A. That is correct.

MR COONEY continues Brief.

In addition it provides indirect employment and income for thousands more - the wholesale staffs who market the coal, the railway employees who handle it, and the retailers and their employees in this and in other provinces, who deliver it. If we are to estimate the number

of groceries, restaurants, shops, banks, and community services which depend upon coal mining for their existence, we would find that Western Canada's coal, industrial and domestic, is depended upon for the livelihood, year after year, of several hundred thousand Western Canadian families.

Secondly, coal as a commodity has a national significance since, aside from its revenue-creating value to five Provinces, it is consumed in nine. It is an essential commodity throughout Canada in peacetime both for home and industrial consumption. It is as vital to our wartime flow of essential munitions and supplies as are the convoys carrying them to our armed forces in every theatre of war.

In view of these considerations, it is most difficult to understand the non-progressive and in some ways neglectful attitude of governments for so many years with respect to the protection and full utilization of this valuable asset.

During the past 30 years it is contended that comparatively little has been done to protect or assist the coal industry. Dominion regulations in wartime are fashioned only to protect the supply and taxation legislation is not apparently aiming towards conservation or improvement. Provincial interest has consisted largely of legislation designed to control leases and to regulate safety in the mines. Both Federal and Provincial research organizations have been active with valuable result from time to time, but it is submitted that research efforts have not been on a scale proportionate to the importance of the asset itself, nor have such efforts been as effective as they might have been had there been greater similar effort in other countries.

In so far as Federal Departments of Governments are concerned, the administration of matters affecting the coal industry is split amongst various uncoordinated branches and departments with the result that both legislation and administration policy affecting any particular phase may not be conducive to the best interests of the producer or the consumer.

It is respectfully requested that this Royal Commission recommend that there be a constant liason between Departments of Government in matters designed to, or likely to affect the coal industry in order that legislation and administration policies will at all times be practical

and conducive to the best interests of the industry after weighing the respective interests of operator, mineworker and consumer,

Present Day Considerations

The economic importance of coal both from a revenue bearing standpoint and as an essential commodity merits national attention to strengthen the existing weaknesses of the industry and to take advantage of its postwar potentialities.

Firstly, if the loss of employment and loss of production caused by the constant recurrence of slack periods can be erased the coal industry can be of inestimable industrial value. In the Drumheller brief graphs and charts are submitted to demonstrate the harmful effects of slack periods. Such statistics and their effect are similar to a slightly greater or lesser degree to the other domestic coal fields.

The production and employment potentialities of Alberta's domestic coal industry are very great if the slack period threat can be eliminated.

In both peacetime and war period more than 50 percent of the coal consumed in Canada is produced outside the country. Our American coal imports have been in one year as high as 27 million tons or more. It is urged that if but half a million tons per year of Alberta domestic coal can be shipped during the spring and early summer months into the Ontario markets at a price to the consumer which can compete with American coals, it would result in a very small curtailment of imports and would stabilize Alberta's domestic coal industry - providing steady year round employment opportunities for mineworkers in Alberta.

Men returning from overseas would be much more ready to enter into coal mining which would offer permanent rehabilitation opportunities and younger men so needed in the industry could more easily be influenced to enter coal mining. The labour supply so necessary today in peak periods to guarantee production of Western Canada's annual coal requirements would be more easily maintained. Production methods, new equipment, modernization and mechanization could be undertaken in the mines with consequent lowering of production costs.

Transportation and distribution costs respecting distant markets are high and it is submitted that these may be reduced to permit Western Canadian coal to compete with imported coals in those markets.

Post-War Potentialities

The revenue bearing qualities of an industry in the post-war period will not be nearly so important to our national economy as its ability to provide employment. Rehabilitation and reconstruction bodies are busily planning the creation of jobs for our fighting men who will be faced with their own transition to civil life.

Vast natural resources in this country should make our task easier than that of most of the allied countries. Already extensive road building programs, construction projects and industrial development plans are being prepared for V-day. This is how we will be able to provide jobs. But unless these jobs be permanent are we fulfilling our obligation to rehabilitate. The largest construction projects and building programs will be completed in five to ten years; the smaller ones in less time. True rehabilitation however, is a far different thing. If we intend to properly rehabilitate the men who have served in the Armed Forces, we must provide for them the opportunity of earning a livelihood not for five or ten years, but for their lifetime.

A stabilized Western Canadian coal industry can offer lifetime employment at a decent living wage to men re-entering civilian life. The elimination of the slack period threat today will create lifetime jobs tomorrow.

Once stabilized the industry will be in a sound position to further its own development. Full development would mean modernization and more economic production with consequent lowering of production costs which in turn would lower the cost of coal to the consumer. With lowering of transportation and distribution costs the industry would be annually in better position to take its rightful place in the Canadian market.

The full development of Canada's coal industry by providing it with possible markets, automatically creates new jobs for mineworkers, jobs for railwaymen, jobs for wholesalers and retailers of coal, jobs

in industries and businesses which service coal mining communities.

It is submitted, Honorable Sirs, that Canada has an opportunity to develop for its people a national asset, which development would substantially increase its present value, provide constant lifetime employment for thousands of men and at the same time repay every dollar invested in its development. Moreover, it would accomplish these things even if Canadians were to import several million tons of American coal each year.

The advisability of endeavoring to turn such possibilities as these into concrete realities can hardly be disputed. To accomplish this we will be required to sacrifice immediate dollars, sacrifice the "natural markets" theory in the belief that the development of national industry is economically more important and will provide greater security of coal shipments. Transportation and distribution costs will require to be held at a minimum in the national interest. Production costs will become lower as a natural result of stabilization.

If such stabilization and development be accomplished without delay the thousands of young men who went into the Armed Services from our mining communities, will return to their homes in those mining communities to find that we by planning their full rehabilitation, have been as ready to serve them as they were ready to serve us.

Respectfully submitted,

(sgd) V. A. Cooney

DOMESTIC COAL OPERATORS' ASSOCIATION OF
WESTERN CANADA."

EXHIBIT "A"

Ajax Coal Company Limited, Medicine Hat, Alberta.
Alexo Coal Company, Limited, Alexo, Alta.
Atlas Coal Company Limited, East Coulee, Alta.
Beverly Coal Company Limited, Beverley, Alta.
Bighorn & Saunders Creel Colls. Ltd., Saunders, Alta.
Birnwell Coal Limited, Eyremore, Alta.
Bish Brothers, Forestburg, Alta.
Brilliant Coal Co., Drumheller, Alta.
Chester Mine, Lethbridge, Alta.
Crown Coal Co. Ltd., Edmonton, Alta.
Foothills Collieries Ltd., Foothills, Alta.
Great West Coal Company, Ltd., Edmonton, Alta.
J. J. Hamilton Coal Co., Box 140, Lethbridge, Alta.
Hygrade Coal Mining Co. Ltd., Drumheller, Alta.
Inland Coal Co. Ltd., 805 McLeod Bldg., Edmonton, Alta.
Lakeside Coals Limited, Edmonton, Alta.
Lethbridge Collieries Ltd., Lethbridge, Alta.
Midland Coal Mining Co. Ltd., Drumheller, Alta.
Minute Coal Co., Drumheller, Alta.
Monarch Coal Mining Co. Ltd., Drumheller, Alta.
Ottewell Coal Company, Clover Bar, Alta.
Red Deer Valley Coal Co. Ltd., Drumheller, Alta.
Red Flane Coal Co. Ltd., Box 391, Camrose, Alta.
Red Hot Coal Co. Ltd., Edmonton, Alta.
Rosedale Collieries Ltd., Rosedale, Alta.
White Star Coal Mine, Edmonton, Alta.

BY MR. FRAWLEY - It is all summed up in this, you want a half million tons into Ontario, costing Federal Government about one and a quarter millions, and that is all the Domestic Operators in your Association are asking?

A. That is not so, Sir.

Q. Is that not about what you say?

A. No. I am afraid it is a larger question than that. On page 13 - "It is urged that if but half a million tons per year of Alberta domestic coal can be shipped during the spring and early summer months into the Ontario markets at a price to the consumer which can compete with American coals, it would result in a very small curtailment of imports and would stabilize Alberta's domestic coal industry - providing steady year round employment opportunities for mine workers in Alberta."

Q. I translate that into one and a quarter million dollars, and that looks like a full order.

A. There is one thing you are not taking into consideration and that is when we ask for a half million tons, that is based on present tons and present development. The whole brief suggests that the mining industry could be further developed, but, as the Honorable Chairman said yesterday, we must make a start.

Q. You will start off then with one and a quarter millions?

A. If you have other ways of reducing by cutting down the costs of transportation and distribution, it does not mean that sum any more than..

Q. Certainly not if Mr. Gouge's views prevail we will not need any subvention at all. But I was putting it at as most that you want to get down there.

BY COMMISSIONER MORRISON - Is it not right to say that you are merely suggesting that for the spring months of the year?

A. That is right.

Q. You mean for the months of April, May and June?

A. Yes.

Q. And the other nine months of the year might take a lot more?

BY THE CHAIRMAN - It is too bad he didn't say it in the proper language.

BY MR. FRAWLEY - He says a half million tons a year in the earlier months will stabilize it.

A. That paragraph must be read with the rest of the brief.

BY THE CHAIRMAN - We own a railway in this country, a complete line from the Atlantic to the Pacific. Why not let the people of Canada say you carry our coals free on the C.N.R.

BY COMMISSIONER McLAURIN - Mr. Welby is here.

BY MR. FRAWLEY - He could not carry us around the country and the coal too. Now here is something that I would like to put in the record. How much of the domestic heating demand in the City of Calgary do the domestic operators enjoy?

A. I think none at all Sir.

Q. I think you have a little.

A. Very very little.

BY MR. GOUGE - Coal used in the outlying districts of the city beyond the gas pipe line. Gas does not serve all parts of the city.

Q. You get the leavings?

A. That is all.

Q. 3% someone said?

A. Yes.

Q. Would that be high?

A. I think we might get 3%, but it would not be very much.

Q. And your coal has been going to Saskatoon instead of going to Calgary?

A. Yes, it has always gone to Saskatoon.

Q. What is the present situation of the Lloydminster pipe line?

A. I can't answer that.

Q. It is another sword of Damocles, is it not?

A. A lot of talk about that but I am not very familiar with it.

BY COMMISSIONER McLAURIN - The sword may be hanging, but Saskatoon has a good sized rope around it yet.

A. Yes.

BY MR. FRAWLEY - You say you don't take very seriously the gas going there?

A. Not in the immediate future. I think it is too much pipe line for that small consumption. The City of Saskatoon could not take the consumption which would authorize the expenditure of that much money.

Q. There is a big field in the Viking area that perhaps has enough gas to look after Saskatoon as well as Edmonton.

A. I don't know.

Q. You don't look for a disturbance in your Saskatoon area for some time?

A. Not for a long time.

Q. Have you any views as to whether or not the safety regulations which prohibit the use of electricity in the Alberta mines, are out-dated?

A. Well it is being loosened up all the time. I think there is more opportunity to put electrical equipment in the mines now than there was 20 years ago. I recall having very great difficulty in getting a coal cutting machine in. It would be about the first one to come in and we had much trouble in getting a permit.

Q. Have you electric coal cutters in the Drumheller fields?

A. Yes, all the coal is cut by them.

Q. You don't use compressed air cutters?

A. No. We have one seam that is a gaseous seam, but we have been permitted to use electric machinery of the kind described as gas proof. It has been inspected and the inspection is done in the United States and the factory attaches a plate and our Inspectors go entirely on what the plate says on the machine. If you made a machine here and tried to put it in the mine you would have difficulty because there is no one to pass upon its efficiency.

Q. The plate is the permissibility by the United States mines?

A. Yes.

Q. And that is accepted by the Alberta Inspector?

A. Yes.

Q. But there are some mines in this Province that are still required to use compressed air coal cutters?

A. Those are entirely in the bituminous.

Q. You call your's sub-bituminous?

A. Yes.

Q. The reason I was inviting your comment on that was that I was told in the United States, a little more than casually, that these regulations of ours that prohibit the use of electricity in the mines, are very badly out-dated. It is all a matter of ventilation?

A. I think they do use them in the United States in mines just as bad as any in Canada.

Q. And the accident rate is quite good in the United States according to the records we have been shown. Now Mr. Cooney I have one more question. Am I to understand from your

statement on page 5 that the subventions are not dependable, but that the amount of them is sufficient?

A. There is no suggestion that it is sufficient. It is the suggestion that because the subvention position may be wiped out at the end of next year, that it hurts the market itself. No other inference made there.

Q. Just that they are not dependable?

A. That is right.

BY THE CHAIRMAN - There is one suggestion made regarding the Fuel or Control Board. That a mine operator, a man directly interested in the profits accruing from the mine, if there is such a thing, should be on that Board.

A. Surely.

Q. Do you think that would be fair to the other people who have to live in this country? He is the man that would hand out subsidies and that sort of thing, or help to hand them out.

A. Not suggesting that he run the Board. The main use

would be advisory.

Q. Rather than a Member of the Board?

A. I would go so far as to say he should have a vote on such a Board. He knows the industry so well.

Q. I know; and he would be quite willing to hand out the money of this country to his fellow-shareholders.

A. If there was a proper representation of all sections of the industry, including consumers.

Q. I agree that he would be a very valuable man on such a Board, but not that he should be associated or expecting profits from any operations.

A. No. I understand your point there. That would have to be cared for I think.

BY COMMISSIONER MORRISON - He would have to resign his job on the Board of Directors.

BY THE CHAIRMAN - And I am not saying that in any way that would indicate that the coal operators in this country are any better or any worse than ordinary.

A. That would apply in any industry on any kind of Board, I think.

Q. I was given the impression, and I believe it from my own investigation, that you complain about the young men of this country not going in for coal mining engineering. I have no doubt in my mind that they have as good an opportunity as in any province where coal is, of getting as good an education in that line in the Manitoba University?

A. Yes sir.

Q. And I think that if a person is willing to enter that phase, that money would not very much stand in his way, if he didn't have too much of it. I mean in the way that that University is conducted.

A. I think that would be reasonable.

Q. So I don't think that any fault should be found with that University.

A. Oh there is no fault with the University, and the suggestion might be when students are in engineering, for example it might

be popular at one time that everyone is taking electrical or civil engineering, and there is no pressure being brought to bear or effort being made to try and get them to say let us go into the coal district.

Q. Because it is not a full time job sometimes, and it is hard to get a job?

A. That might be one of the reasons.

BY COMMISSIONER MORRISON - On page 14 you say - "With lowering of transportation and distribution costs the industry would be annually in better position to take its rightful place in the Canadian market." Mr. Gouge is going to tell us how to reduce transportation costs. I thought you might tell us what your Association had about lowering distribution costs?

A. Transportation costs and distribution costs are combined from the mine itself to the consumer's price. There may be a possibility somewhere of reducing costs; that includes both transportation and distribution. Not insinuating anything there Sir.

Q. But do not mix it up with transportation, because Mr. Gouge is going into that field very fully. I have a very excellent document here prepared by him, which shows that he has views, and he has put in a lot of work and study and is going to give us the benefit of that. Now you come and tell us - "With lowering of transportation and distribution costs the industry would be annually in better position to take its rightful place in the Canadian market." I would like to know if your Association had any definite suggestions to offer as to how distribution costs could be reduced?

A. I have not asked them that question, Sir, but they do say that distribution costs should be lowered, and that includes transportation.

Q. I have no quarrel with them on that score.

BY MR. FRAWLEY - What are their representations about eliminating the middle-man?

A. This Association was formed in November 1944. It comprised the Lothbridge field, who have very definite ideas on costs of distribution perhaps, and the Drumheller operators. Some of them have one view on costs, and some another. They have divergent views perhaps on distribution costs. We are asking the Commission if there is any way of lowering those distribution costs, then by all means to do so.

BY THE CHAIRMAN - Have you not better ideas than us, as to how that can be done?

BY COMMISSIONER MORRISON - I would suggest to you in all kindness, and that is as to provision "E" in this brief, on the first page - "to do all such things as may be agreed upon for the advancement of the interests of the members and to speak with one voice for the domestic coal industry."

A. That is the object, Sir.

Q. And may it soon be realized.

A. Yes.

Q. There is only one time I ever knew your industry to speak with one voice, and that is when they were seeking a reduction in wages.

A. Do you not think Sir it is a laudable ambition.

Q. It is indeed, and knowing the industry for many years, I can add a few other words besides laudable.

4:15 HEARING ADJOURNED

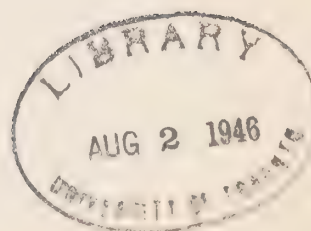
ROYAL COMMISSION ON COAL

CALGARY, ALTA.,
Friday, April 6, 1945.

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ROYAL COMMISSION ON COAL

Calgary, Alta.,
Friday, April 6, 1945.

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ROYAL COMMISSION ON COAL

Calgary, Alta.,
April 6, 1945.

The Commission convened at the Court House on Friday, April 6, 1945, at 10.00 A.M.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary

BY COMMISSIONER McLAURIN: For the benefit of our guests from outside this province I would like to make the observation that the two members of this Commission residing in Alberta are not personally responsible for the weather.

BY THE CHAIRMAN: Your reports have been very misleading.

MR. STUBBS: I was requested to provide as exhibits large copies of the map that follows page 36 in the brief submitted by the Bituminous Coal operators.

BY COMMISSIONER McLAURIN: That is already in, isn't it?

BY MR. FRAWLEY: What is in is the sheets in the exhibit. These are large copies.

BY COMMISSIONER McLAURIN: They are just being handed to us; they are not exhibits.

BY MR. FRAWLEY: Mr. Robt, of Coal Sellers Limited, was asked in Vancouver to supply the commissions which he charged and he has furnished me with this information, and it is to be followed by later information after he has completed a new contract with two companies, Midland and Monarch.

BY COMMISSIONER McLAURIN: You are filing that as an exhibit, which will be 127?

BY MR. FRAWLEY: No, I may not file it as I was given it, because there must first be some understanding about the matters contained in this paper. There was some discussion, and I think the Commission is now called upon to make a ruling. I think as a matter of fact when he was asked about it in Vancouver he mentioned the fact that he did not particularly like to have it made public to his competitors, and I think there was an understanding at that time. Whether he gets X cents a ton on the coal ---

BY THE CHAIRMAN: Accepts a ton?

BY MR. FRAWLEY: Gets X cents, a certain number of cents a ton on the coal which he sells for a certain company-- as a matter of fact it differs with various kinds of coal.

BY THE CHAIRMAN: It would come in in the breakdown of costs?

BY MR. FRAWLEY: The breakdown of the ultimate costs, yes, that's right.

BY COMMISSIONER McLAURIN: It is your opinion that probably it is not desirable, at this time anyway, to make it public?

BY MR. FRAWLEY: Certainly it is my opinion.

BY COMMISSIONER McLAURIN: Then I think you should hang on to it and not put it on the record, and at some later date show it to us.

BY MR. FRAWLEY: Mr. Robt was asked to prepare it. It really supplements the evidence he gave in Vancouver.

BY THE CHAIRMAN: Very well.

JESSE GOUGE called to the stand. Examined by Mr. Frawley.

Q You are going to submit a brief which you have prepared, called "Brief on Transportation of Coal"?

A Yes sir.

Q And that brief will be Exhibit 127.

Exhibit 127 - Brief on Transportation of Coal
on behalf of the Domestic Coal
Operators' Association of Western Canada.

Q Before you proceed to put your brief in I would like to ask you a few general questions. How long have you been in the coal mining business?

A 34 years.

Q And how much of that time has been in the Drumheller Valley?

A The whole of it.

Q Did you have any part, or if so what part, in and work that was done by the Board of Transport Commissioners some years ago in endeavoring to arrive at a cost of haying coal from Alberta mines to Ontario?

A Yes sir, a subordinate part. I didn't have any leading part.

Q You were aware of those studies that were made?

A Yes sir.

Q You were kept informed of their progress?

A Followed as carefully as K could.

Q And you are still engaged in mining coal in the Drumheller Valley?

A Yes sir.

MR. GOUGE proceeds to read Exhibit 127:

COAL TRANSPORTATION

It would seem that in appointing this Commission and making the reference which has been given it, the Privy Council feared they might overlook something, if it mentioned any specific subjects for investigation and made the reference in the broadest term that could possibly be used. They say all the problems of the coal industry. That opens up a big field. A short time ago I heard it said that the word "problem" was not found in the Bible. That fact alone is conclusive evidence that none of the authors of the books of the Bible ever operated a coal mine. While it is possible under this broad reference, that many and varied problems of the Coal Industry may be presented to this Commission, I feel that there will be no problem of greater import or none whose successful solution would mean as much to the coal industry of

Alberta as the question of transportation and transportation costs.

BY THE CHAIRMAN: The Commission did send you a memorandum indicating that that was a part of our job, to investigate transportation?

MR. GOUGE: Yes. (Continues brief):

If railway transportation could be arranged applying to the existing markets of Central Canada, I think whatever other problems of any kind which exist now would automatically settle themselves. I know there will be papers submitted to this Commission, setting out in detail and in astronomical figures, the great quantity of coal which exists in Alberta, it is therefore unnecessary to repeat these statistics here. The vast quantity of unworked coal in Alberta is so well known, that it is one fact of which this Commission might take judicial notice without proof. Whether or not it amounts to one-seventh of all the coal on the Continent or some fabulous proportion of all the coal in the world, is not so pertinent, when we know that the known quantity is sufficient for the use of our whole country for generations to come. Our evaluation of the importance of the transportation question is one which has been affirmed and confirmed by the parliament of Canada on more than one occasion. On three occasions since the first world war the question of freight rates on coal from Alberta to Ontario has been the subject of investigation by government direction. These inquiries occurred in 1922, 1927 and 1932. In 1932 when the government directed such an inquiry, by P.C. 1179, the Order contained this significant language -

"In view of the fact that any improvement in Canada's coal situation, whereby a greater quantity of Canadian produced coal may be used, rests entirely on the question of what it costs to carry the coal by rail."

The words "rests entirely" is strong language, but we fully agree with this statement. The further development of our vast coal resources, with all it can mean in enlarged

production and employment of labour, depended then on this question of getting our product to existing Canadian markets and it depends now "entirely" on the same thing. This Commission may solve all other problems presented to it, recommend tax reforms, improve relations between employers and labour, recommend more research into chemical and by-product utility of coal, with some benefit to existing producers but without increasing the total volume to be produced. If you can recommend a successful solution to the transportation problem, the potential growth of our industry cannot be overestimated. It might well be a hundred per cent increase in as quick a time as the mine development would provide it. At the outset I wish to assure this Commission that this brief is not presented in any spirit of hostility or ill-will toward the great railway system of Canada. There is a spirit of interdependence between the mines and railways which does not exist with respect to any other industry. Along with the rest of Canada we share that feeling of pride in the possession of two of the greatest railway systems in the world and the only two on this continent of great railways, which extend in continuity from sea to sea. We pay our share of homage and respect to those great men of vision and courage, like Lord Strathcona, Sir Thomas Shaughnessy and Sir Henry Thornton, who laboured under great handicaps and overcame great obstacles and discouragements to develop these great railway systems to their present proud positions and we cannot believe now that the present successors of these great pioneers are so lacking in resourcefulness and so timid in executive ability, that they can be overwhelmed by a little problem of moving coal through the bottle neck which exists in the unproductive territory between Winnipeg and North Bay - a problem which has been recognized for many years as one of great national importance and one which has given rise to that much talked about political platform plank and promise,

euphoniously referred to as "A National Coal Policy". With this confidence in the ability and friendly co-operation of the railways, we prepared and submitted to the railway officials of both railways a memorandum of supplication and recommendations, along lines which we wish to discuss with this board now, hoping that we may succeed in getting some recommendations in your report, which will remove this problem of a National Coal Policy from its close association with Mark Twain's weather, something that everybody talks about, but nobody does anything about.

Since the memorandum submitted to the railways in October, 1944, contains an outline and summary of the suggestions which I wish to present now in a little more detail, and with supporting evidence, I will embody that preliminary document here, as a means of shortening this brief and avoiding unnecessary repetition.

SUGGESTIONS FOR PROPOSED NEGOTIATED FREIGHT RATE
FOR SHIPMENT OF COAL IN TRAIN LOAD QUANTITIES FROM
ALBERTA TO ONTARIO

The following tentative suggestions, submitted to the railways of Canada on behalf of the domestic coal mines of Alberta, producing sub-bituminous coal, re shipments to Ontario, are submitted now, in anticipation of investigations and inquiries which will be made by the forthcoming Royal Commission, presently appointed to make recommendations respecting the coal supply for Canada. If it is possible to negotiate methods and cost of transportation, by mutual agreements, we feel it would be better for all parties, than to have a legislated solution subject to unstable political control.

We therefore invite the careful consideration of our railways to these suggestions.

(1) We propose a rate based on trainloads of coal as against rates on single car shipments, in the ordinary course of general traffic, as a means of reducing costs to the Railway Companies and as a method of assuring the benefits to the carrier of "density of traffic" in every shipment.

(2) Since coal of the quality desired for the market to be supplied, is produced in small and compact areas, throughout the province, it would only be necessary to name a few originating points in Alberta, such as Lethbridge, Drumheller, Edmonton, Coal Spur, and some central point in the Crows Nest area, as shipping points, where the trainloads would be assembled. Producers in each area would arrange a pool of shippers, secure orders for coal in the regular way and withhold shipments until the required number of orders to make up a trainload was in the hands of the pool. No shipments would be made until the full train tonnage was available.

(3) We suggest as a fair trainload, fifty cars of forty tons each or a full load of two thousand tons (net).

(d) This shipment would be made by one consignor to one consignee, at agreed upon central points in Ontario, perhaps North Bay, London, or Toronto ----At the present moment I would strike out both London and Toronto and confine my argument to North Bay alone. (Continues brief):

. . . and would move as one solid train from shipping points to this destination, for distribution as herein-after outlined, from this central point.

(5) All billing would be made by shipper, routing shipment by the method outlined, from point of origin to the Central Ontario point, with instructions on the original Bill of Lading for furtherance to actual and final destination.

(6) This method of shipment would necessitate two distinct and separate rates. One a lump sum rate for the movement of the train between point of origin and the distributing centre, which should not exceed seven thousand dollars for the two thousand miles approximately (to eliminate the names of all points except North Bay that 2,000 miles would be reduced to 1800) and a second rate which can be liberal and profitable enough to commend itself to the carriers, at any figure not exceeding one half cent per ton mile with a guaranteed minimum

of three hundred miles. That is in making the furtherance shipments the carriers would be guaranteed a minimum of one dollar and a half per ton or sixty dollars per car on every car even though it be only switched to unloading station in the train destination city. On all deliveries beyond three hundred miles, the half cent per ton, per mile will apply. As the territory covered by the three hundred mile radius would all be favorable marketing ground for domestic fuel, it would follow that the average transportation distance for furtherance movement would be exactly half this guaranteed minimum or one hundred and fifty miles and the minimum rate suggested would actually average one cent per ton per mile, a profitable rate anywhere and higher than many existing rates, where there is no spotting for loading, no weighing or way-billing to be done.

The rates suggested, while tentative are maximum and in the language familiar to railway traffic officials, "all that the traffic will bear". This has been demonstrated by repeated experiments made with the aid of subsidies and subventions, and to negotiate any agreed rate which would stifle or prevent the movement would be a futile gesture, unprofitable to both the mines and carriers. We have confidence that these rates will stimulate marketing and result in much increased business for the producers, the railways and much employment in the after war period. Being of a permanent nature, they will inspire investment in mines, which will never be made on any temporary experimental rates, for one year at a time, supported by subsidies and of the nature of a political football. To make the coal business what it should be will require heavy investment of capital. Canada has both the capital and the coal. With the rate such as we suggest Canadian mines have a market in Canada of proportions that will not be met immediately, but something to grow up to.

(8) The rates suggested, while limited in extent by that one great, unyielding yardstick, "what the traffic will bear,"

were not arrived at by guess or the aid of a fortune teller. The cost statistics from which these possible rates were calculated, were those furnished on other occasions by the railway accountants, of both railways, on the urgent direction or Orders in Council of the Federal Government. In 1922-1927 and again in 1932 exhaustive cost sheets were submitted by railways to the Government.

MR. GOUGE: I might remark here that I notice in the 1922 report that a gentleman named Carroll was chairman of the investigating committee.

BY THE CHAIRMAN: When was that?

MR. GOUGE: 1922.

BY THE CHAIRMAN: We didn't make much of a report because nobody on the committee understood very much about it.

MR. GOUGE continues brief:

While the classifications were different, in the tables submitted by the two railways, the close approximation of the final results were so noticeable as to signify very similar costs of operation by both. The inclusion of some similar items by both railways, which were questioned as duplications of costs, by government experts, gives rise to a very strong suspicion that there might even have been some collaboration in their preparation.

This friendly approach for a sympathetic co-operation is no place for a long discussion of the above mentioned cost figures. To attempt to dispute them would be presumptuous. Nobody but the railways have any figures on the subject. They are undisputable on any other authority. But this does not mean that the final calculations made from these admitted cost figures were properly made. I think it will be admitted that in 1927, the railways did not want any transportation cost established that would assist the coal movement. The reason for this hostility had some reasons, which will be briefly referred to later, which reasons do not apply to our multiple car scheme. We just want to point out, that this then existing

hostility doubtless accounted for the unreasonable and insupportable claim that there be allowed a hundred per cent addition to proven costs, for returning empty cars. If this claim had not been set up and allowed, the \$6.50 per ton cost recognized under protest by Commissioner Hon. Frank Oliver and the \$7.22 cost found by other two members of the Commission, would have been well below the figure proposed in our suggested rates. Remember also that these costs were calculated on a general traffic operation and not on the cost saving plan of train load movement we contemplate. - See Judgments, Railway Com. Can. Vol. 17, No. 15, Advance Sheets.

The only way the hundred per cent charge for returning empties could be justified, was by assuming that in the regular operation of the systems there is no movement of empties at all. We all know that the movement of empties from location to spot for loading, so nearly approximates the total mileage travel of the loads as to be much nearer the hundred per cent equivalent of the total load movement. In the first place substantial quantities of cars in use are always returned empty and cannot be used but for one purpose, such as oil tankers, open coal cars, refrigerator cars, cattle cars, ore cars with special bottoms, gravel cars, automobile and furniture cars with the big wide doors. It is only the ordinary box car that by its general usefulness can be loaded with many kinds of cargo. But to be loaded back to spot for a new load, there would always need to be return freight at the unloading point at the exact time the unloading is finished. It just does not happen. In 1943 the Drumheller mines loaded more than four thousand cars for prairie destinations West of Winnipeg. These same cars were returned time after time during the same season and not one quarter of one per cent came back to the mines under load. How could they? What has the territory from Winnipeg West to sell to or ship to Alberta at any time of year, much less in the coal moving season?

It will be possible if necessary to get from the railway records statistical movement of empties.

MR. GOUGE: It was not possible for us to do that.

BY THE CHAIRMAN: What statistics were those that you couldn't get?

MR. GOUGE: Empty car movement, I say in this submission to the railways I know they can get it, but we couldn't.
(Continues brief):

As empty car movement is O.C.S., and not revenue freight, it follows that the cost of moving empties is in the long list of general costs, such as labor, maintenance of way, yard expenses etc.

When we add up a total cost, including the O.C.S. movement and have umpteen millions of costs to be divided by steen billions of ton miles and get a freight movement cost per ton mile, we have in this calculated figure the cost of movement both ways, both loaded and empty. To ask for 100% additional for moving the empty is to duplicate cost items. To make this charge legitimate, all costs would have to be calculated on both loads and empties separately.

We are submitting this proposal to the railways now hoping that it may be accepted and a further submission to the Royal Commission on Coal avoided. A chartered accountant auditing these cost items will doubtless find other duplications which will not be stressed here.

(9) We mentioned in a former paragraph, that in 1927, the railways feared any recommendation favorable to the provinces conducting that investigation and we think that this fear was inspired by a zealous desire to protect the existing freight rate structure, which might have been endangered thereby.

The present proposal of train load rates eliminates this objection and cannot be used to attack any rate now in existence. Not even a coal rate to any point where coal is now moving.

The Interstate Commerce Commission in the U.S. has

approved train load rates, at figures far below the regular one car traffic rates, usually showing a reduction from the regular traffic rates of from 20% to 37%.

In the case of "Molasses from New Orleans to Peoria" 235 I.C.C. p. 485 (1939) the Commission after citing numerous cases wherein the train load rates proposed by carriers had been denied, on the familiar ground that they constituted unfair discrimination with small shippers, gave approval to the multiple car rate on molasses. In the discussion of rates in general the Chairman repeats a former dictum of the Commission which is apt - "Much of the profitable freight carried by the railroads of the U.S. ----- and most of the freight which pays the carriers best, is that which yields the lowest rate per ton mile."

This case was not actually a train load case, but was described as a multiple car rate, the minimum number of cars required being less than a full train. The carrier, the Ill. Can. Ry. proposed a voluntary reduction from 17½¢ to 14¢ or a reduction of 20%. The majority opinion approved a reduction to 15¢.

Concurring Chairman Eastman, in a separate opinion says - "I may add that I believe there are other situations where the economy of volume shipments, particularly if they are expanded to trainload dimensions, would be greater than that which the record indicates" p. 504. Patterson Commission concurring says - "I would have preferred to join in a report finding the proposal justified in its entirety. I am authorized to state that Commissioner Mahaffie concurs in this expression." On page 498, this language is used - "It is well settled that differences in quantities shipped as a single shipment may afford a fair and reasonable basis for differences in transportation rates".

In many of the cases cited in this opinion, as cases where the proposed multiple car rates had been disallowed, on the ground of discrimination, the proposed voluntary reduction ranged from 20% to 37½%, because of multiple car savings on costs.

In this opinion on page 299 the I.C.C. citing precedents say - "The Canadian National Railways published rates on gravel in lots of twenty cars or more, on logs in lots of 10 cars or more and on concentrates in quantities of less than 2000 tons per month and in excess of 2000 tons per month." Our

own railways are not unmindful of the saving to be made on quantity movements.

Subsequent to the consideration of the Molasses case, the I.C.C. has approved other multiple car rates, including a rate on coal in lots of 2000 tons, from Fort Smith, Ark., to St. Louis, Mo., a distance of 416.5 miles and the reduction allowed was from a rate of \$2.75 per net ton to \$2.00 on account of multiple car shipments or a percentage reduction of 27 $\frac{1}{2}$ %. This rate included assembling service for distance ranging from 10 to 33 miles.

In a very voluminous discussion of rates on petroleum where railways compete with pipe lines - Petroleum Rail Shippers Assn v. Alton et al, I.C.C. Reports, Vol. 243, at p. 655; the Commission not only gives its blessing to low rates based on quantity movement, but strongly recommends the practice, in this language - "Many producers of gasoline in the mid continent field by shipping in large quantities are now getting the benefits of low cost transportation by pipe line. The rail carriers may be able to utilize the advantages inherent in transportation by them of like quantities because of lower costs, or the use of restricted service or both, at rates lower than those applied to single carloads. The possibilities have not been fully explored, a more intensive study is needed."

(10) Train load shipment is the answer to prayers for density of traffic. No half empty trains will be moving to transport this coal.

In conclusion - It would be highly presumptuous to offer advice to the Railway management on policy, but our recollection of the destructive competition of the freight trucks and transports before the war and the earnest complaints to shippers and solicitation of help in combatting this menace, together with the certain return of the passenger buses and the growing popularity of air travel, air express and air mail, destined to reduce some forms of business for the railways, when the war is finished, prompts us to offer this suggestion, for what it is worth. It may not be a bad time to cultivate and develop long haul heavy freight business, that can never be lost to freight trucks, bus or airplane competition. There

is nothing in the West that could be developed into such voluminous tonnage in so short a time as commercial coal. Can we get together and work out this problem not for today, but as a rehabilitation policy when peace comes.

Respectfully Submitted,
Sub-Bituminous Coal Operators Committee

Per: Jesse Gouge, Chairman

Drumheller, Alberta,
October 26th, 1944.

BY MR. FRAWLEY: Before you proceed with your brief, the memorandum which you have just read was transmitted to the railway companies, you say?

MR. GOUGE: Yes sir.

BY MR. FRAWLEY: By mail?

MR. GOUGE: By mail.

BY MR. FRAWLEY: And to all the officials?

MR. GOUGE: All the leading officials of the freight departments of both railways.

BY MR. FRAWLEY: And what replies did you receive?

MR. GOUGE: We got a courteous acknowledgment and several requests for duplicate copies, but there was no discussion.

BY MR. FRAWLEY: There was nothing but acknowledgment and requests for further copies?

MR. GOUGE: And I would not say that I took this silence for consent.

BY THE CHAIRMAN: Was there a copy of that sent to the Transport Commission?

MR. GOUGE: I am not certain there was. I sent it to the railways because they were the people. (Continues brief):

It will be noted that in the memorandum to the railways, embodying the idea and proposals for rates on coal to Ontario points, the main feature of the proposal is to take coal, so far as the movement to Ontario is concerned, out of the regular general traffic rate structure and put it on a basis of train load movement. It is important to note that the

production of coal in Alberta is localized in separate districts, in a manner very suitable to the assembling of train loads at about six shipping points and that these six points would include practically all the coal which would be suitable and available for shipment to Ontario, including the bituminous coal, as well as the best domestic grades.

SAVING IN COSTS TO RAILWAY OF TRAIN LOAD MOVEMENT:

It is quite evident that our larger railway companies on this continent have made investigations for their own use which show the relative cost of transporting train load shipments as against single car shipments, because for a long time rates have been published, in the United States especially, which quoted greatly reduced rates on train load traffic. But it has only been within the past ten years that these rates have been recognized and approved by the Interstate Commerce Commission and our Board of Railway Transport Commissioners. Prior to this period, such rates were held to be discriminatory and disallowed. Recently many such rates are recognized as legal, because of special conditions and where the competition was so serious as to prevent or destroy the traffic, under rates predicated upon regular general one car traffic rates. The question of discrimination will never arise if our plan is adopted in Canada, for a coal movement from Alberta to Ontario, because present single car rates as published by the railways completely eliminate and prohibit this traffic and no coal can move to that territory except under subsidy or subvention. There could be no discrimination where there is no one to discriminate against. Besides for many years this question of transporting coal to Ontario has been a great public question, a boon to national economy, the consummation of which has been approved by all political parties and desired by every administration for a generation past. If it is found workable, it could and would be successfully defended as a matter of public policy.

In the case of Petroleum Shippers Association v. Alton et al, I.C.C. 243 - p. 642, the Commission discussing this feature of discrimination, in connection with multiple car rates, observed -

"The ground for our earlier unfavourable attitude towards such rates, namely that they would tend to concentrate business in the hands of large concerns, is wholly lacking here.

"It is urged that multiple car rates are in themselves depressed rates, which we may not lawfully prescribe. If that contention be sound then car load rates lower than less than carload rates are depressed rates, and rates lower with a high car load minimum weight are depressed rates. Yet we clearly have; and have often exercised authority to prescribe such rates. The contention that multiple car rates are in their nature depressed rates considering the nature of the service covered is rejected." P. 643.

We will be spared the burden of proving by specific costs how much the actual saving to the railway is, where train load traffic is substituted for single car movement, by citing numerous instances of proof of what the railway management has determined this saving to be. As evidence of the railway managements' estimates of this difference in cost, we have tabulated a few rates, showing single car freight rates and multiple car rates, published by the same railway, on same commodity, from the same shipping point, to the same destination. This tabulation is attached and marked Exhibit 1. Of the eight illustrations shown, four are Canadian, two of which are gravel, one logs and one oil rate. These eight illustrations show an average differential in favour of multiple car shipments as against single car rates of 32.91%. Because of its heavy loading and economical handling, with the extremely low possibility of loss in transit, no commodity handled in long haul traffic could be more suited to train load movement or more certain to show maximum saving in cost of transportation, than coal.

In addition to the cases cited in Exhibit 1, there is one most notable instance of what can be expected from train load shipments in a case cited as a precedent in the Petroleum

Rail Shippers v. Alton and S.R. I.C.C. 243 at page 646. Here the Commission cite with approval, a rate on bauxite concentrates, loaded in box cars and carried over four different connecting lines, from Mobile, Ala., to Vancouver, Washington, a distance of 3426.3 miles, crossing both ranges of the Rocky Mountains en route, shipped by train loads of not less than 1800 tons. Here is the best illustration of the possibilities of what may be accomplished by the train load plan which we have found. Here the traffic moved over four different railways, making three switching transfers necessary, which usually costs 20 cents per ton for each transfer. It also deflates the claim that the cars will be returned loaded, because these cars furnished by the originating railway down in Alabama, could not be kept on the other three systems, where they would be foreign equipment and subject to demurrage in favor of the owning railway, unless promptly returned. The total sum paid to the four railways, including the switching, extra way billing and manifests, the auditing in four separate accounting offices, and the return of the empties was \$8.00 per ton and amounts to the gross rate of twenty-three hundredths of a cent per ton mile. It must be a great saving on costs to ship by train loads.

With respect to the Calgary to Regina oil rates, we are told by the Railway Transport Commission in their Report dated Dec. 18, 1937 -

"The railways not only faced the demand of the producers to relieve the acute situation caused by the sudden large production, but also the necessity of deciding promptly and definitely whether they could set up rates which would be low enough to meet the certain pipe line competition." (Railway Commissioners of Canada, File No. 26488.6).

Under this pressure and in this dilemma, the railways promptly thought of the possibilities of "train load" movements, because oil and coal are the only commodities in Alberta which are produced and shipped from localized shipping points, which makes train load movement possible. The result

was the publication of a rate of 19 cents per hundred on train loads of 25 cars from Calgary to Regina, in lieu of a former rate of 68 cents. At the same time the 19 cent rate was published, another rate of 27 cents per hundred was published applying on shipments of five cars in one shipment from same shipping point to same destination. At that time no competitive rates on shipments of one car were published and our comparison is therefore made between the rate on a five-car shipment and a twenty-five car train load, which shows a difference in favour of the train load of $29 \frac{2}{3}\%$. Had a rate on single cars been published at this time, the discrepancy would doubtless have been greater.

At the hearing above referred to, considering objections to these rates by small refineries at Rosetown and elsewhere, our Board of Railway Commissioners decided that this twenty-five car condition in the rate was discriminatory and struck it out. The railways did not cancel the competitive rate, as might have been expected after this order of the Railway Commission, and the reason why they did not do so, is doubtless due to the fact that oil between these two points continues to move in train load lots anyway, even without the obligatory provision in the rate.

In addition to the long haul rate to North Bay, made by the train load plan of shipments, we have suggested in our memorandum to the railways, a distribution rate from the long haul destination, providing an added minimum of \$1.50 per ton, on every ton included in the shipment, which added to the lump sum rate for the train movement, will produce no less than \$5.00 per ton revenue to the railways, on every ton shipped.

If we have established by evidence of well qualified railway opinion, expressed by action, much more articulate than words, how much saving can be made by the train load shipments, it would be redundant and useless to pursue the argument further, by citing all the specific items separately which go to make up this great saving. Two items alone have

been mentioned, which account for a large part of this 32.91% of costs saved. These are, elimination of switching and yard costs at each of the fourteen or fifteen divisions, with the accompanying service of making up new trains, new way bills and new manifests for each division. The other and most important, is the attainment of "density of traffic", or full train tonnage all the time on every coal train, as against half filled trains most of the time.

PRESENT COSTS AND FREIGHT RATES

Having determined the feasibility of the train load movement, there still remains the very pertinent questions of what the costs of coal shipments are, to the carriers, under the general traffic movement, that we may estimate a possible cost under the proposed plan.

This question has been put up to the railways on three occasions, by our government and at each of these hearings, accountants of the railways appeared before government bodies and submitted detailed and itemized statements of transportation costs. It is fortunate indeed that we possess these tabulations of costs, made in the decade between 1922 and 1932.

Unless the railways wish to furnish other and further evidence of cost, we will accept the ones we have and regard them as ample and sufficient, to prove the profitable possibility of rates such as the one we have suggested. Accepting and using the railway accountants' figures and statements of costs, does not, however, bind us to accept and approve estimated and irrelevant costs on C. C. S. (On Company Service) items, the first and most important of which is the cost of returning empty cars to the point of loading.

In accepting the cost as submitted by the railways in 1927, as a basis for argument today, we are doubtless giving the Companies much the best of the premise, because those costs accrued during that "good old time", between 1920 and 1930, sometimes referred to as the period of inflation or

boom times, when all costs were high. Labour was well paid, materials outside of lumber were higher than now and coal cost for locomotives was above today's price. Costs of operation have been reduced, by larger cars, more powerful locomotives, and the use of heavier steel rails with better road beds and bridges which increases the train capacity very much.

Before discussing the coal cost items, as they were found to be in 1927 and 1932, it is important that we first understand the method of railway accounting at that time. The case presented many difficulties, as there were not precedents of previous hearings, which might be used as an acceptable guide. Furthermore, railway accounting is conducted on prescribed lines, which for the purpose in view do not carry particulars of costs for any separate class of traffic, so that in calculating the cost of moving freight traffic generally, there is no distinction made between the cost per ton of handling a ton of tenth class coal or ore in large quantities and of a ton of first class merchandise passing through a freight warehouse in small lots for local distribution, where costs of labour and local service alone may exceed the revenue, on any basis of grand average.

The Board of Railway Commissioners in commenting upon this subject said:-

"In reporting upon the question of cost, it must be noted that it is impossible to get at the exact cost of a particular movement in railway traffic. All that can be done is to approximate cost; as emphasized by the experts in connection with the present investigation, the element of opinion is very important.

(Judgment of Board 1927. Page 442).

While slightly differing methods were used to determine costs of the fifteen to nineteen main items into which costs were divided, the Hon. Frank Oliver very well describes the usual methods used as follows:

"The railway, except in the case of engine and trainmen's wages and fuel cost, submitted estimates, which generally speaking were the

assessment of a proportion, arrived at by various methods of calculation, of the gross cost of each particular service employed in the coal movement, against that movement."

That is to say they took the total cost of the whole system, or sometimes that portion of the system over which the coal moved, then found the total gross tons of freight moved over the same lines during the year. The gross tons of revenue freight handled divided into the total cost of the system, was used as the cost of that item for moving a ton of freight. In finding the cost of all freight handled in 1926 and 1931, the gross ton miles of revenue freight was used and no pretence was made that accounts were ever kept to cover O.C.S., or empty car movement. But when these costs were ascertained as outlined, on other commodities, and then applied to the coal movement, the cost was not applied on a basis of revenue tonnage one way, but on a basis of charging for both the revenue tonnage or load one way, and a 100% charge for returning the empty.

In 1932, pursuant to P.C. 1179, similar costs accounting was used and at that time, the government procured Mr. W. P. Hinton, a retired general manager of the Grand Trunk Pacific Railway of much experience, to make a summary of the evidence and a study of the figures submitted. At the very outset of his report he says:-

"The railways seek to have this movement deemed a 100% empty movement and to impose a cost corresponding to the eastbound loaded car cost. As such costs are determined on the loaded one way costs for all other traffic than the additional coal traffic, it imposes a cost on the latter beyond that of any other traffic handled by the railways, notwithstanding that unlike the coal, such costs are the average on all class of freight, handled, whether in small or large lots, of high class merchandise involving expensive facilities, such as freight sheds and labour in loading and unloading; besides loss and damage liability where there is practically none on the coal."

(Report W. P. Hinton, p. 2 (1932)).

MR. GOUGE: This report will be submitted.

BY COMMISSIONER MORRISON: You have the complete report, have you?

MR. GOUGE: I have. I think I have one for each of the Commissioners. I am not sure. I have at least two.
(Continues brief):

The C. P. R. in the 1927 hearing reduced their cost items, to cost per train mile and the Hon. Frank Oliver in reviewing the evidence says of the C. P. R. figures:-

"The assessment appears to be on a train mile basis. The total cost of each item of expense is divided by the total number of train miles on the system. The amount of expense per train mile is then charged against the train miles of the coal movement and the result is given as the out of pocket cost of these several items of expense properly assessable against that movement."

(Hon. Frank Oliver Report, 1927. Page 455).

But notwithstanding this slightly different method of ascertaining cost, the Hon. Frank Oliver says:

"In all three estimates the cost of returning the empty cars to point of loading at Drumheller or Kneehill respectively, is included."

Describing the method used by Mr. Mallory, Chief Statistician for the C.N.R., calculating the cost of the one item, "maintenance of way and structures", the Chairman of the Board used this language:.

"Mr. Mallory gets his figures thus - From actual results he takes the gross ton mileage moved over this portion of the road in 1926, which is 7,001,157,000 tons and the actual cost of maintenance of that part of the line which was \$5,157,947.12."

(Board Report 1927, page 445).

From these figures of total freight movement over the line in 1926, including all classes from first class to tenth class, and from the total cost of maintenance for the period a calculation of cost is made, to be applied to coal, which is tenth class. Without attempting to impeach any figures supplied by the railways, because we have no other, it is interesting to study this method of accounting, by applying it to some industry simpler than railroading. A good illustration would be a good livestock breeder's ranch. If this livestock breeder was asked to furnish the cost of keeping a goat and to

find this cost he resorted to his accounts of expenditures and reported that he had complete costs of his operations, but that he kept ten classes of livestock. He had thoroughbred Hereford cattle as first class, Holstein dairy stock as second class, registered Percheron horses as third class, one thoroughbred brood mare, raising saddle horses and possibly a race horse fourth class, plug work horses on the farm as fifth class, two teams of mules as sixth class, some sheep as seventh class, a few hogs as eighth class, a flock of bronze turkeys as ninth class and six goats as tenth class. In his report the stock breeder says, "I have a complete account of the actual cost of keeping my livestock for one year. I find that I have one hundred head of stock of all classes and the total cost of their keep for one year was \$5,000; by dividing one hundred into \$5,000 I get \$50.00 for each head of livestock, therefore the cost of keeping a goat is \$50.00 per year."

The figures of the Railways were accepted by the Railway Board, but it is not surprising that the Chairman was constrained to remark in that connection:-

"All that can be done is to approximate cost and as emphasized by the experts in connection with the present investigation, the element of opinion is very important."

Opinion evidence is never very valuable and should be avoided. There is just one opinion we wish to record, with respect to the cost of keeping these goats and this opinion may be extended to the proven cost of moving freight. It is this - If the average cost of keeping one hundred head of livestock is \$50.00 of the classes described, a stock breeder could surely keep goats at this average cost and prosper, without adding anything to cost for profit and income tax. Likewise if the cost of transporting coal is

the average cost, calculated on all classes of freight from silks to rags, from groceries and glassware to gravel, then the opinion is warranted that coal can be transported at the average cost without adding anything for trimmings.

In 1927, when the Railway Commission made the investigation into coal transportation costs, the Commission was at that time finishing a very wide inquiry into general freight rates. The Hon. Frank Oliver quoted some very pertinent general rules which the Commission followed, in determining the adequacy and fairness of rates, which are pertinent here:-

"Therefore, railway rates are not and cannot be based on a uniform per ton mile cost.....If a certain traffic can pay more than its per ton share of the gross overhead it may fairly be required to do so. On the other hand if a certain movement is for good and sufficient reasons desirable, the fact that the rate which will allow it to be moved is not sufficient to bear its full per ton share of the gross overhead does not debar such a rate from being installed. This is the principle upon which railway freight rates are classified and numbered from one to ten.

"Tenth class freight pays approximately one quarter as much per ton for a haul of the same mileage as first class and the fifth class approximately half as much."

(Hon. Frank Oliver, 1929 Report, page 464)

We are reminded again of the I.C.C. dictum:-

"Much of the profitable freight carried by railways of the United States and most of the freight which pays the carriers best is that which yields the lowest rate per ton mile."

(Report I.C.C. 235, page 493.)

COSTS AS FOUND BY INVESTIGATORS.

The outcome of these investigations resulted in various findings, official and unofficial, ranging all the way from \$7.22 down to \$3.81 per ton. For convenience of this Board I have arranged these findings in tabulated form and attach this sheet hereto as Exhibit 2.

For the investigation of 1927, the accountants assumed a hypothetical quantity of one million tons per annum and calculated costs on this basis, but in 1932, since there had been a small trial shipment made, the railways took this 508 cars shipped over the National Railways, upon which they calculated cost. The records show that to make this calculation

they used the total gross ton miles of actual freight movements, which was 13,532,234,609 gross ton miles in 1931, and from this grand total endeavored to segregate the cost of the 508 cars of coal. This is probably the tallest haystack every prospected for the discovery of so small a needle.

See Report Railway Commissioners, February 1, 1933, page 4.

CHARGES FOR RETURNING EMPTY CARS

We have not tried in any way to impeach the itemized figures, submitted by the railways, at any of the investigations, into transportation costs. We do, however, protest very vigorously the duplication of these cost items in the calculations, as was done in the 100% charge for returning empty cars. It must be evident to anyone studying the submissions, that the railway accountants were endeavoring to make the cost appear as high as possible, else they would not have included this very questionable charge. No one can doubt that they had exhausted the list of cost classifications, when reviewing the long category of cost items included. The main classifications were given first, by both companies as: -

	(Maintenance of Way and Structure
	(" " Equipment
	(Traffic
GENERAL	(Maintenance of freight cars
ITEMS	(Transportation
	(General
	(Taxes

These main items were later specifically analyzed and itemized into nineteen heads, as follows:-

See Hon. Frank Oliver Report, p. 456.

	(1. Superintendence	
	(2. Dispatching trains	
	(3. Station employees	
C.N.R. ITEMS	(4. Weighing, Inspection and Demurrage Bureau	
	(5. Station Supplies and Expenses	
AS MADE BY	(6. Engine House Expenses	
	(7. Signal and Interlocker operations	
RAILWAY	(8. Crossing protection	
	(9. Drawbridge operation	
	(10. Stationery and Printing	
	(11. Other Expenses	
	(12. Operating joint track facilities	Dr.
	(13. " " " "	Cr.

- (14. Insurance
- (15. Clearing wrocks
- (16. Damage to property
- (17. Damage to livestock
- (18. Loss and damage to freight
- (19. Injuries to persons

These are all proper and legitimate items of cost.

If anything had been overlooked, the item No. 11, itemized under the broad and inclusive head of "other expenses" would cover the omitted item like charity covers sin. When all these sums were added up and the total divided by the aggregate gross ton miles of revenue traffic handled, it would furnish as near a cost figure as could be found for that year. One would naturally think, then, if we are going to ascribe to coal the average cost of all freight, we would multiply this ton mile cost of revenue traffic generally, by the revenue ton miles of the coal traffic, calculated on the ton miles, from shipping point to destination. But the railway experts had another idea of how to make these costs appear higher and applied the ascertained costs, to the coal mileage both ways, loaded and empty.

In these calculations we have a perfect illustration of the philosopher's definition of an expert as, "a man who can complicate simplicity".

Nothing could be more plain, obvious, or gross to sense, than this proposition; the cost of returning empties should not be charged against coal traffic, for determining cost, in this case, unless the railway does not move any empty cars, in connection with other traffic.

If we revert back to the illustration of the goats and should say to the stock grower, we are satisfied with your calculation of cost of keeping goats and we would like to hire you to keep a few goats at a price calculated on the average cost of all the ten grades of stock, or fifty dollars each per annum, and the stock grower should say, "Oh, no, I can't do that. I will have to water your goats and the cost of the water and

labour would make it necessary to add fifty to one hundred per cent to the cost for extra goats", we would then have a similar situation. Our challenge would go immediately to the assumption that all the other livestock lived without water.

We as emphatically challenge the assumption that all freight ordinarily handled by the railways is handled without the necessity of moving empties.

When we come to the question of moving empty cars, we have little that is definite in proof on the railway submission. One might assume from the nature of the claims made, that this was the first instance of moving empty cars on record. That in ordinary railroading practice nothing is ever moved except loaded cars in every direction, and strange as it may seem, they just about succeeded in convincing the Railway Commission of this sophistry. In approaching this study we are reminded of the old riddle about which came first, the hen or the egg, because there is some confusion about which moves first the loaded car or the empty. But without deciding the hen and egg query, we can say definitely in railroading the empty car moves before there is any loading. When a shipper wishes to move some freight over the railway, the first thing he does is to order an empty car, which the carrier moves from location to spot for loading. This move may be from a near-by point or it may be from long distance. To provide empty cars for shippers, without too much delay, empties are shuttling about in all directions, over the system, being scattered to such points as are most likely to require them. In the case of moving such products as coal and grain which move in great volume, at particular seasons, empty cars move from long distance, in full trains, usually requiring an empty movement over as great a distance as the load will travel. In such movements the empties are handled in long drags, headed for a particular district, and definite destinations.

The record submitted by the railways in these cases is singularly free of statistics relating to actual

movement of empties.

In the 1932 Report of the Board on Page 3, they give an accurate count of empty movement over the railway isthmus across the pre-Cambrian barrens, connecting the two areas of continental activity, Central Canada and the big West. They give the count as follows:

"The operating statistics of the Canadian National show for the year 1931 that:- of the loaded Eastbound cars moved through Armstrong and Port Arthur, but 81% returned Westbound under load.

"2287 more loaded cars moved East than West

4587 more empty cars moved West than East.

2300 empty cars moved West in excess of the number required to balance the traffic."

BY MR. FRAWLEY - Just to keep the record straight, that is the 1933 Report. You say 1932, but you really mean 1933.

A. Yes, but the report was dealing with movement in 1932.

C. But it is the same Report you have dealt with in many references?

A. Yes.

MR. GOUGE continues Brief.

These figures deserve a little more than passing mention.

The first startling revelation of these figures is the very meagre quantity of traffic during 1931 passing over this unproductive link in the National system."

BY COMMISSIONER MORRISON - When you refer to the National system, you refer to both railways?

A. There are two railways of the National system through that section, but these figures apply only to the National Railway and not to the C.P.R.

MR. GOUGE continues Brief

From the above figures we note that the total cars of loaded traffic in the year over this section was only 12,037 cars Eastbound and 9850 loaded cars Westbound. This would amount to one very small freight train per day, not counting Sundays or

holidays, and was divided between two lines."

(That means the two lines of the C.N.R. and not referring to the C.P.R.)

MR. GOUGE continues Brief

After the wartime experience of full capacity traffic, our railways certainly do not wish to revert to another era of allowing this section of road to rust and rot away without use, if profitable business can be provided.

2. The figures, although representing small traffic, prove what we are contending, that there is a constant movement of empties at all times, regardless of the kind of traffic moving. This particular movement of empties could not be attributed to the coal shipment East, because the total amount of coal in the movement was but 508 cars, whereas the excess movement of empties West was 4,587 cars, or nine times the number of cars used for coal. There is no reason to assume that the movement of empties generally in proportion to the movement of loads, is greater for coal than for grain, or other familiar items of commerce, and it is sure to be less than in the movement of oil in tank cars, live cattle, ores and gravel, refrigerated fruits and meats, in all of which the empty car return, because of special equipment is always 100 per cent.

3. This bottleneck district Eastward from the head of the lakes, of very restricted traffic is not a fair illustration of the comparative movement of loads and empties and does not fairly represent the actual movement which takes place, in either section of our country where the great railway activity now prevailing, mostly in hauls of from a few miles to a maximum of six to eight hundred miles, has grown to an average ten mile movement of more than two and a half billion ton miles per month, or more than thirty-two billion ton miles, on the Canadian National lines alone, and sixty-seven billions on all railways of Canada, for the year 1944. This figure is revenue ton miles. If there was any record kept from which the empty ton movement could be calculated, there is little doubt that the mileage

covered by empties would closely approach the loaded car movement.

The only other instance of attempt at exact figures on the return of empties may be found on page 2 of the February 1, 1933, Report, relating to the coal cars returning to the coal spur district of Alberta. The Board says:-

"An assumption and one which is not unreasonable is that the cars used will return as far as Edson 100 per cent of the time without earning revenue, and from Edson to points on the Coal Branches 83.3 per cent."

Here is a statement in such detail that it must have been supported by evidence, covering the short distance from Edson to the mines, proving 83.3% of cars travelling to the mines were empties. Here again, evidence intended to support the railway theory, has back-fired and become the exact evidence we desire, to discredit the claim for cost of returning empty cars in coal traffic and not doing the same thing with traffic generally. The coal spur is foot hill country, with no business except that connected with the mines. The annual production of this coal spur field was, for 1927 - 1,389,867 tons of coal or thirty-eight thousand six hundred cars per year. The percentage given for empty movement would indicate that 32,153 of these cars came in empty. They were not emptied in Edson or Bickerdike, but came empty for much longer distances or destinations. This was evidently actual experience extending over a long period. This 1,389,867 tons of coal was part of the big volume of general traffic used in calculating the cost of general traffic. It did not occur to the Commission that if the return of empties was to be charged in the cost of moving coal to Ontario, then the cost of moving this thirty thousand empty cars and other hundreds of thousands in connection with other freight, should have been considered in arriving at the general cost of general traffic. It did not occur to the Commission that they had calculated the cost per ton mile of carrying this million and a quarter tons of coal, in the

composite aggregate of all freight, and assigned to it an average cost, which they seek to apply in a double figure, to less than 600 cars going to Ontario and this after proving that 83.3% of the thirty-eight thousand cars in which it was shipped were returned to the mines empty during the year.

In respect to the movement of these cars on the coal Branch, the Railway Commission uses this language:- "We may reasonably assume". While the Commission was in the "assuming" business, there were at least two other things they might also have assumed, with equal reasonableness and more certainty:-

- (1) They might have assumed that of the 16.7% movement which represented the proportion of cars leaving to the Coal Branch loaded, not all of them were cars which had gone out loaded with coal and were now returning with other produce. The greater portion of shipments reaching the mine area in carloads, is mine props, timber and lumber usually shipped on flat cars with stakes and those cars would leave the mines empty.
- (2) They might also have assumed that the other thirty-two thousand cars, which moved to the mines empty was a part of a similar movement taking place all over the system. Not an unusual, but a usual experience which could be duplicated at any large shipping point, and something which is just as true of other commercial products, as it is of coal.

No information on empty movement statistics can be obtained from the railways. We tried to get official records of the car loads going to the head of the Lakes, Port Arthur and Fort William, but failed. We know that for some years the most part of three hundred million bushels of wheat and the exported oats, barley and flax crop goes that way. These grain cars are of better class, not used for coal and although we were refused definite information on the loads coming back from these ports, we will not indulge in speculation, we could hardly guess the number low enough, grain cars are like

coal cars, they come back to the coal country empty, in full train loads.

One more illustration will suffice on this subject. We have secured a report from the Dominion Bureau of Statistics, figures for the period from 1923 to 1943 inclusive, showing railway freight loaded and unloaded in Manitoba, Saskatchewan and Alberta.

This report shows that in the year 1943, there was loaded within the three prairie provinces, Manitoba, Saskatchewan and Alberta, a total of 27,676,743 tons, for shipment to points outside the said provinces and that the shipments from points outside the said district to be unloaded within the prairie provinces amounted to 15,635,075 tons, a preponderance of outgoing loaded tons over incoming loads of 12,041,608 tons or 301,041 cars. In the twenty years the preponderance of freight outgoing over incoming amounted to 182,974,555 tons or 5,544,683 cars of 33 tons each. The box cars used in this large volume of outgoing freight, had to come into the province in some condition and if they did not come loaded must have been transported empty. See Exhibit #4.

Even this difference does not exactly show the full number of empties moved, because there is always a larger movement of empties than the mere difference between loaded cars each way. The empty movement is doubtless greater than this difference, but cannot be less.

In 1943, the mines in the Drumheller district loaded and shipped 40,739 cars of coal. If we add to this, carloads of grain and livestock, there was loaded out of the district a little bit over 41,000 carloads. A general survey of incoming carloads shows roughly 1,035 cars of which about 800 cars were mine props and ties, the balance lumber, oil in tank cars, and high class merchandise, loaded in cars which are too aristocratic to be used in the coal trade. This survey indicates that of the 41,000 cars shipped out of the district in 1943, at least forty thousand were returned from destination empty. The

output in 1944 is somewhat lower than this figure.

In justification of their finding that the 508 coal cars under investigation in 1932 returned empty, the Railroad Board say in their report, page 9, "The evidence shows that generally old, small box cars not suited for other traffic are used at all seasons of the year for the transportation of coal." If we cut out the word "small" the statement is as true now as in 1935. Coal cars now are all forty tons or over, and rules require capacity loading. The judicial finding that coal cars must of necessity return empty because unfit for other goods, puts them in the class of oil tankers, gravel and ore cars, refrigerator and cattle cars, etc.

Now let us see how much it would mean in the actual traffic for the year 1943. The Trade and Commerce Report, Vol. 19, No. 4, shows car loading of coal and coke for nine months of 1943 at 11,447,870 tons. This is over one million tons greater than all the wheat loaded in the same period. The total of all kinds of grains loaded in that period aggregates 15,669,000 tons or only about one third more than the coal. If all coal cars are unfit for other traffic, as the Railway Commission say, and the grain cars are too good for ordinary freight, the oil tankers, cattle cars, gravel and ore cars, refrigerator, automobile and flat cars, are all limited to their specialties and must be returned empty. We have about reached the conclusion as stated in our proposal to the railways in October, 1944, that instead of cars being loaded 100% both ways in transportation, "the movement of empties from location to spot for loading, so nearly approximates the total mileage travel of the loads as to be much nearer the hundred percent equivalent of the total load movement."

We repeat again the return of the empties is not limited to the coal shipped to Ontario. It is a natural universal condition all over the system, on long and short hauls and it was wrong to charge coal with a 100% cost of moving empty cars, when the average cost of moving all other freight, is calculated on the one way load or revenue traffic.

DUPLICATIONS OF O. C. S.

Only two O.C.S. Items appearing in the calculations as we have them reported, other than the charge for empty cars, will be mentioned here; the first of these is the inclusion of the caboose as part of the coal load for which charges are made.

The Railway Commission, in their report pursuant to P. C. 1179, say (page 8):-

"For each train mine one caboose mile has been allowed, and multiplied by twenty tons, the weight of the caboose, required in the movement of the coal and the return of the empties."

Note the language "required in the movement of the coal". One might readily infer from this language that coal trains were the only trains where a caboose was "required". That coal was accorded a de luxe service and employees of coal trains provided sumptuous travelling accommodations, unusual and special. If it should turn out, as we suspect, that this is untrue, and that all freight trains are provided with a caboose, carried O.C.S., then this charge is one covered by the manifold items of general expense and should not be a special item in coal costs. In the 1927 calculations also the caboose mileage both ways was calculated and charged against the coal. Both instances of carrying water to the goats.

One more item of much importance is the cost list charged to coal traffic, cannot be overlooked. This was an extra charge for transporting coal for road engine service from the mines to re-fueling stations en route. The Hon. Frank Oliver found this item and objected to it, although he finally allowed a portion of it and apparently the whole of the item was allowed by the majority report. On page 457 of the Report dated September 22, 1927, Mr. Oliver says:-

"The item of "non revenue service cost" appears in the Canadian Pacific Railway list as a charge of 90.7 cents a ton against the proposed coal movement. It does not appear as a separate item in the estimates submitted by the Canadian National Railway or the provinces. The C.P.R. expert states that this charge included the cost (not otherwise charged) of transporting coal from the mines to the point at which it was used..... Under the accepted

"system of railway accounting the movement of fuel coal is an overhead charge. It is in the same class as the transfer movement of passenger cars, gravel for road ballast and railway material of all kinds. It is charged as O.C.S., on Company Service."

This item is a sizeable one, as 90.7 cents per ton charges against a trainload of two thousand net tons would be an extra charge of \$1,814. for each train of coal moved. In the items of costs submitted as applying to all freights from which the cost of carrying all other freight is calculated, both railways included an item, "Road fuel".

No reason was given why the cost item "Road fuel" which was applied to all other traffic to determine cost of carriage, would not apply in the same way and with the same completeness to determine costs for moving coal. When all the twenty-seven items of cost, running from maintenance of way to wages of employees, are calculated and each and every item contains its share of O.C.S., Service, and this total is used to calculate the cost of all other revenue traffic, can anything be plainer than the conclusion that this item of hauling coal for locomotives was already accounted for. It would take no more or different railway fuel to transport a train of coal than any other train. This \$1800 item is clearly a duplication of costs and yet Mr. Oliver says in presenting this item, "A maze of involved calculations was submitted to the Board". Another instance of "complicating simplicity."

We are not asking this Commission to make a complete recalculation of these cost figures of 1927 and 1932, the reason for pointing out these patent duplications now, is to show the evident inaccuracy of the findings and to lay a foundation for a demand later, in case the railways submit an up-to-date statement of costs, either at the request of the Board or by Order-in-Council following the recommendations of this Board, to have a chartered accountant check the items that are submitted twice. Would any chartered accountant pass this \$1800. per train item, or the charge for a caboose? If such double charges were put into an income tax return, it would

come back in technicolor done with a blue pencil.

THE 1922 INVESTIGATION

We have mentioned the hearing on coal freight costs to Ontario before the Senate Standing Committee on Mines and Minerals reported in "Minutes of Proceedings and Evidence" No. 11, May 15th, 1923. Even at this late date some guidance may be found in cost figures submitted at that time. The calculations then were made for the National Railways by the Chief Statistician of the system, Mr. Mallory, who made up all the subsequent statements for both 1927 and 1932 and it is fair to assume that they were compiled in the same way, although in 1922, Mr. Mallory reduced his ultimate cost figures to train mile costs. At this hearing Mr. Mallory testified in person re costs - (Page 241)

"We have allowed 10% for contingencies 34.3¢ making a total cost per train mile 377.2¢. The movement would involve 4,252 train miles at \$3.77 2/10 or a total cost of \$16,038 for one round trip, that is one full train East with the empty train going back, a trainload of 1,800 tons, 50 cars at 36 tons per car."

Here, with this statement, we have the origin of that fiction, so capably maintained throughout the 1927 and 1932 investigations, that to find the cost of transporting coal from Alberta to Ontario, it is necessary to add in the cost of hauling it back to the mine, from which it started. Mr. Mallory used a distance of 4,252 miles, which was a round trip via the long route through Fort William, instead of the direct mileage which is 1,991 miles to Toronto and 1,800 to North Bay.

It would be uncharitable and unkind to criticize these cost figures, considering the time when they were made and the condition of our railway at that time. The National Railway was just then beginning to emerge, through the almost magic influence of Sir Henry Thornton and his corps of able assistants, from what had been looked upon as a white elephant and butt of all jokes, by coarse comedians, into that magnificent transportation system, with the high morale of its thousands of employees, working with loyal fidelity for the Company and proud of it, which we know today. The real wonder is, that with the roadbed, light

rails, pile bridges and antequated equipment of those days, such a favorable cost could be made. On the basis of 1,800 miles, this mileage cost would have taken this full train to North Bay at a cost of \$6,787. With present facilities, heavy steel, new bridges, forty ton minimum cars, mogul engines, automatic conveniences attuned to the wartime transportation requirements, it would seem quite feasible to move a train to North Bay after the conclusion of the war, for the figure we mention \$7,000, and make it pay, especially when there is another sure \$3,000. to be added for distribution.

It was at this 1923 hearing that Sir Henry Thornton was quoted as saying:-

"I can give you, and prove any transportation cost you want at any time, for any purpose, and so can anyone else.... For example, take a train, you can haul 18 cars of freight from A to B just as cheaply as you can haul 15 cars. I defy anyone to find in the expenses the additional cost of adding two cars to the average train, almost anywhere. The same thing is true of a passenger train; it does not cost one penny more to haul a passenger train full of people than it does to haul it empty." (Page 246).

This old inquiry may not be of much value to us on the subject of present day costs, but Sir Henry Thornton's sage comment on the subject of density of traffic establishes the reason why rates can be and should be lower, where full train loads are always provided and where train load movement eliminates the half trains or less which he mentions.

We have stressed this question of charging for empty cars at great length and with greater emphasis than might seem warranted, but from our point of view, it is the controlling question of fact, in determining whether the recommendations of this Royal Commission shall be efficacious, in producing a solution of the great question of transportation of coal from the mines of Alberta to the existing markets of Ontario.

Without this item, the finding of the Railway Commission in 1933, would have been the same as that of Mr. W. P. Hinton, a retired railroad man from the highest office in the operating department.

Mr. Hinton accepted the railway cost figures (although critical of same) and found a total average cost of \$4.71 to North Bay and \$5.25 to Toronto.

(I analyze these figures a little bit after a while in connection with some other figures)

Continues Brief

From these figures of cost, it will not be difficult for the railways to publish a rate on the train load, which will move this coal and leave a good margin of profit to the carrier, as we will attempt to show.

Is it possible to make a \$5.00 rate profitable to the carrier?

This is the \$64. question and our answer is Yes. When we say this, we are not revealing any secrets to the railway traffic officials - they know it. This computation we are appending here, based entirely upon the cost figures we have been discussing, we believe would prove it in a Criminal Court, beyond a reasonable doubt.

The writer makes no claims in the handling of figures to being an "expert" and will, therefore, handle "simplicity" without involved and fatuous circumlocution and totally uncomplicated. Starting with our table of revealed costs calculated from evidence submitted by the Railway accountants, we find a range of operating costs ranging from:-

W. P. Hinton,	
From Coal Branch to Toronto.....	\$4.45
From Alberta points <u>average</u>	5.25
Railway Commission 1935,	
Average cost from all Alberta points	
to Toronto.....	6.88
Hon. Frank Oliver 1927	
(Lothbridge and Drumheller).....	6.50
Geo. W. Ollivér (expert for Provinces, 1927)	
Edmonton to Toronto (basis A including	
empty charge.....	5.05
Drumheller to Toronto (basis A including	
empty charge.....	5.25

(See Exhibit No. 2 Attaches)

We will use the operating costs to Toronto in the following calculations, because the distance to Toronto represents the farthest point we wish to reach and a rate to that point would blanket the better part of the whole Province of Ontario. The figure named by Mr. W. P. Hinton as an average from all shipping points in Alberta to Toronto is \$5.25. We will accept this figure as a basis for calculations, although we feel confident cost could not be proven to be so high today. Mr. Hinton accepted the railway cost figures, in everything but the 100% charge for empty cars. He was too old an operator of railroads to be deceived by this augmenting trick. Since Mr. Hinton was the only person officially employed who made his calculations without including the 100% empty car charge, his finding is the only one which has a possibility of being near correct. We wish first to add to this operating cost figure of \$5.25, the average gross profit shown by the railways, on what was perhaps the most successful year our railways ever knew prior to 1944, the last year for which complete operating figures have been published by the Dominion Department of Trade and Commerce - the year 1943.

From these official statistics we learn that the Canadian National Railways showed - for 1943 -

Gross Operating Revenue.....	\$354,103,000.00
Operating expenses.....	281,241,000.00
Operating Ratio.....	79%
Operating Gross Profit.....	25.9%

For the same year from the same authority, we have the C. P. R. -

Gross Operating Revenue.....	\$274,861,000.00
Operating Expenses.....	198,973,000.00
Operating Ratio.....	72 1/3%
Operating Gross Profit.....	38%

(Department of Trade and Commerce Business Statistics, Vol. 19, No. 4, April 1944.)

During the first three months of 1944, which is the latest period reported, the profits of the railway dropped

to an average of 20 $\frac{1}{2}$ % for the National and 29% for the C.P.R.

(I know they have since gone up again, since that time).

Continues Brief

These are very creditable showings for both railways. We will not guess at the reason why the C.P.R. costs are lower and its profits higher with smaller total business, as some people are doing, who claim that National lines are handling Government business at low rates. Both railways are doing well. The cost figure of \$5.25 found by Mr Hinton was made on shipments over the National Railways. If we use this figure and add to it the profit shown by the C.P.R. which is the higher, or an average profit of 38% over operating cost, we have,

Operating cost of moving one ton to Toronto	\$5.25
Average gross profit 38%	<u>2.00</u>
Cost and profit by regular single car	\$7.25
Less average U.S. and Canada reduction for train load, 32.9%	<u>2.38</u>
Possible Profitable rate, on trainload plan	<u>\$4.87</u>
Again using the cost, plus 38% profit	\$7.25
Less the average deduction for train loads in Canada, 37.88%	<u>2.75</u>
We have possible train load rate	<u>4.50</u>

In this calculation, we have used the operating cost made on the highest cost railway and allowed the profit shown by the C.P.R., which is 12% over the National Railway,

Using the National Profit, we have cost	\$5.25
Average gross profit 26%	<u>1.36</u>
Cost and Profit	\$6.61
Less average deduction for train load, 32.9%	<u>2.17</u>
Possible rate by train loads	<u>\$4.44</u>

We might stop right here with these calculations, but it is interesting to pursue the investigation one step further using the cost figure named by the Railway Commission in 1933, which includes freight on empty cars, or \$6.88 to Toronto.

(Augmented) Operating cost to Toronto.....	\$6.88
Profit at 16 2/3%.....	<u>1.14</u>
Cost and Profit carried as regular.....	8.02
Less train load rate reduction (Canadian).....	<u>3.03</u>
Profitable rate on trainload basis.....	<u><u>4.99</u></u>

It may be argued that 16 2/3% is not enough margin.

It is more than they have had to get along with in some past years. But remember this cost not only includes freight on empty cars, but freight charges on a twenty ton caboose at the same rate as twenty tons of coal, figured both ways. The number of these cabooses would vary with the length of the train and number of trains, but will possibly amount to another 3% and that was surely profit of the most velvety texture. The ordinary coal operator would hail a guaranteed 16 2/3% over operating cost as a dream of opulence. We must not lose sight of the fact also, that these cost figures, were average costs for all classes of freight from first class to the lowest or tenth class. That coal is tenth class. That to attribute an average cost to tenth class traffic must in itself be over-charging the low class commodity.

Further, this method of averaging costs, makes the cost for a long haul of 2,000 miles the same, per mile, as the short haul cost. In his study, Mr. Hinton says the average freight car haul in the central region is about 40 miles. This 40 miles traffic requires two days at each terminal and all the switching, weighing, billing and accounting that a long haul takes. To charge average cost per mile to each, is to over-charge the long haul.

Perhaps, coal could be carried in long hauls, at the average cost of all grades of merchandise calculated on this basis and make money for the carrier, but we will make our calculations on the basis of adding profit anyway.

Speaking of percentage of profits, if the railways actually believed the figure of \$6.88 found by the Railway Commission in 1933 represented the actual operating cost, they have adopted the 16% as sufficient profit, because they have

published and solicit business on a rate of \$8.00 per ton as a blanket rate for all Ontario, from Alberta shipping points.

Using the railway published rate.....	\$8.00
Less the trainload reduction (Canadian)	
37.88%.....	3.03

Possible trainload rate..... 4.97

These calculations furnish the answer to the big question can it be done for \$5.00. It can on the trainload plan and make profit for the carrier.

If this coal traffic would move from Alberta to Ontario points at \$6.00 per ton, the coal producers would be very willing to see the railways get \$6.00 per ton for hauling it. No coal producer complains about the freight rate to points to which the traffic moves from his mine. High freight rates in such cases are paid by the buyer and are his concern only. It is only to points where high freight rates prevent shipments and deprive producers of existing markets that they complain. In all other cases, they desire to assist the carriers in maintaining as high rates as the traffic will bear. Another way of expressing the same thought is to use the more euphonic expression often used by the I.C.C. in the U. S. They say the maximum rate is "all that the traffic is worth to the shipper". As the shipper wishes to procure the carriers service to transport his goods from point of production to where he hopes to sell it, this maximum "value of the service to the shipper" is never more than the difference between the value at home and the market price at destination. If the rate is higher than this difference in price between two points, then the services are not worth the cost to the shipper and the result is no business for either the shipper or the railway. It is on this axiom that we base the claim of a \$5.00 rate to Ontario.

A study of the market prices in Ontario, with proper allowances for grades, numerous experiments with shipments by subventions, as related by Sir Montague Barlow, and costly experience of optimistic operators butting heads against stone walls, with painful results both to the head and their pocket-book, has conclusively and repeatedly proven that any rate above

five dollars per ton is destructive and prohibitory. Millions of business for both producers and railways can be had at \$5.00 when it would be a losing venture to get a quarter of a million tons at \$5.50. We know because we tried it. Fifty cents per ton to the mines represents the difference between operating in the red and paying income tax. In most mines 25¢ per ton will work the transformation. Mine operators are not profiteers.

Mention should be made of the report made by Rt. Hon. Sir Montague Barlow, sitting as a one man Royal Commission in 1935. The Hon. Chairman though a stranger to the country and our conditions, made a voluminous report, which showed a keen appreciation of all the problems submitted to him and in an historical and factual way displayed a perfect understanding of the industry as it existed then. The fact that the recommendations made by him were inconsequential and futile, may have been due to the assistance given him in the presentation. The Hon. Chairman did, however, reach a decision on the maximum freight rate the traffic would bear, which he fixed at \$5.00 per ton, and mentions this figure several times. On page 42 of his report, he says:-

"That the \$2.50 subvention (predicated on the \$8.00 rate) was not in fact sufficient, certainly not to overcome the initial difficulty of securing an entry for Alberta coal to the Central market. As indicated above, a flat \$5.00 rate had been the objective aimed at by those who put forward the case for Alberta in the discussions in 1933, and here again assuming that it is the definite desire both of the Dominion and Provincial Governments that the experiment of moving Western coal to the Centre should be vigorously supported, and that the railway companies will consent to continue the present arrangement, it is necessary to consider some increase of the subvention, or reduction of the rate, possibly both."

In this report is a fairly good review of the history of subventions and trial efforts to ship coal by those aids and those trials and failures and partial failures at figures higher than \$5.00 per ton, justify his conclusion and conviction that anything above \$5.00 per ton would not succeed. Years of study and experiment have convinced the coal producers of Alberta, that with a steady, definite, fixed rate of \$5.00

per ton, the only limit to the movement would be the capacity of the mines. A permanent rate which could be relied upon, would stimulate investments and increase production. Nothing else will. It may be said that a small difference of fifty cents per ton, would not make this possible, but when in a tight competitive position, a difference of fifty cents can stifle or kill when otherwise might be important commercial transactions. There is no possible chance for the mines to do more, as they are operating with ceiling prices, as shown by Government reports, at bare existence levels. "

BY MR. GOUGE - Now I hope that anything I may say here will not be regarded as deprecating remarks respecting any of the very well prepared and voluminous papers that have been presented to this Commission here since we started. All of which I might say can be classified in the shot-gun category because they are all loaded to scatter, and whether or not any of them hit any object of importance, I don't feel inclined to change the opinion which is expressed here later on.

Continues Brief

Temporary and uncertain subsidies and subventions are not the answer. Big business cannot be financed or built upon so shifting a sand. Dealers will not change over or advertise a product they can only get once. Operators cannot be expected to spend money developing a trade that may be totally eliminated, by failure of Parliament to pass annual appropriation. Subsidies, when of sizable proportions are political issues and economically objectionable. This transportation problem can be settled without the aid of subsidies, it will never be half settled with them. We had hoped for more co-operation from the Railways, a little assurance on two or three matters, which will be mentioned later, may yet secure this.

We recommend to this Commission, the historical portion of the Barlow report, for factual experiences and data. Conditions have changed but little. The relevant competitive prices on coal in Ontario although higher than in 1935, maintain

a relative figure which is just as competitive now as then. If coal miners' wages are maintained in both Canada and the U.S., which seems likely for a long time, competitive prices will remain. American coal cannot be dumped at cut throat prices again soon."

(I agree with Mr. Stubbs, that it was so dumped for a long time, to my personal knowledge).

Continues Brief

We are appending hereto a printed bulletin of the Retail Dealers' Association of Ontario, showing the present price ceiling for retail dealers in various cities of Ontario as fixed by the Prices Board. See Exhibit No. 3."

(I am sorry that I was unable to secure enough of these, but I have two or three which I will furnish to the Commission. I have not been able to get enough of these printed price lists.)

Continues Brief

"With these prices and a \$5.00 rate, we will do business, much business, which will benefit the coal industry, labour, the railways and the country generally. Without a freight rate which will move the product to that territory, little can be recommended of great importance or benefit.

Without transportation at rates which will move the output of the mines, nothing will settle permanently the problem of coal mining. It is with the abiding conviction that if the recommendations of this Commission do not produce results, the coal industry of Alberta, is doomed to another period of life and death struggle, for years to come; if the benefits coming from the recommendations of the Royal Commission are as futile and barren as have been the recommendations of other Royal Commissions, we are sure there will be no further government action for a decade or more. What this Royal Commission recommends, will either get results of a positive nature, or it will stifle all further attempts indefinitely. What attitude

the railways will take towards our proposals at this time is as yet unknown, it should be much less hostile than in 1927 and 1932. Way back in the senatorial inquiry of 1922, Sir Henry Thornton said to that Committee:-

"We might be justified in making a very, very low price on coal in order to foster industry in the Central regions, and then we would make enough out of the products of the industries; out of the increase in population; out of the general prosperity of the community; to compensate us for handling the coal at a low price."

This was an appreciated gesture of co-operative kindness, which would forever restrain us from asking the railways to carry our coal at a figure which would not produce cost and profit to the carrier.

Important as the question of using Canadian coal in Canada, has been in the past, it has now passed the stage where it can be regarded as a matter of relative importance and is now an economic necessity, as the greatest potential support to an after war reconstruction and rehabilitation policy, that exists in Canada today. All over the continent, committees, associations, agencies and communities are organizing and planning after war schemes for making a new six million jobs in the U.S., and a half million needed openings for returned men in Canada. This is all commendable effort but this problem will not be settled by building memorial halls, making a new road or constructing a few thousand new houses. As temporary relief these ideas are valuable, but for permanent, continuing, dependable employment, Canada's industrial production must be continued and because a lot of present day production will surely be stopped, something that is permanent must be provided to replace it. The most obvious, and certain industrial expansion in Canada to supply a market which does not have to be sought, built up or bargained for in foreign lands, but which exists now, exists in volume, and exists in Canada, is the coal mining industry. We hear much about unfortunate countries, which are seeking help after the war. Canada will be among the helpers

and not a relief recipient. Idealists and sentimentalists, with an over-developed altruism and spirit of self-abnegation, are talking about a world where all people come to one standard of living, even if our home markets and our native products are sacrificed. These altruistic ideals are all elements of that greatest of all virtues, Charity, and like their righteous principal, should cultivate that commendable habit of "beginning at home". It is unthinkable, that Canada with an unsatisfied demand for twenty to thirty millions of such a vital necessity as coal, which within her own borders, has the natural resources and manpower to produce it, is prevented from enjoying the usufruct of this natural bounty, by separating barrier of a thousand miles of barren country traversed by three lines of railway which in normal peace times, draw unemployment relief from all the rest of the system.

RECOMMENDATIONS

In concluding this brief with a prayer for recommendations, by this Royal Commission, we might possibly leave these to the judgment and discretion of the Commission itself.

We will, however, suggest alternative procedure for the consideration of your Honorable Body.

(1) Since we do not seek to impose any hardship upon the railways and feel this Commission would not recommend it, our first suggestion is that the railways be asked to appear before the Commission and show cause why a recommendation for rates along lines we have proposed, should not be made.

(2) If the railway representatives do not appear and wish to produce further evidence of present day costs, that a hearing be arranged at which representatives of the coal operators may be present and that a Chartered Accountant be secured by the Commission to take part in the investigation of cost accounts.

(3) In case the railways neglect or refuse to make such appearance, then we pray for recommendation to the Privy Council in your report, advising that it is the opinion of your Honorable

Body that a combined freight rate aggregating five dollars per ton on coal from Alberta points to Ontario stations within a radius of three hundred miles from North Bay, Ontario, is feasible, with profit to the carriers, provided the rate is predicated upon train load movement, of not less than 2,000 tons per train from Central shipping points in Alberta, to North Bay, Ontario; said trains to be shipped by one consignor to one consignee at North Bay, for furtherance in single car lots to any point within three hundred miles, by railway mileage, from the full train destination at North Bay. The rate to be calculated in two items, one item for the train load movement to North Bay and a second mileage rate of one half a cent per ton mile for distances beyond North Bay with a minimum distance of three hundred miles.

(4) We suggest it be recommended that where the point of origin of shipment is a junction point of two railways, a mutual agreement be made by and between the railways and the mines at this point to alternate train loads between the two railways.

Under recommendations of this nature, the Privy Council might again return the question of costs, to a fact finding body, other than the Board of Transport Commissioners. Any rate established either by negotiation or legislative action, to be strictly to meet competition in Ontario and not to apply on intermediate shipments to points west of North Bay.

All authorities cited herein, will be produced and presented to the Commission, when the subject of this Brief is presented and considered.

Respectfully submitted,

SUB-BITUMINOUS COAL OPERATORS' ASSOCIATION

(Sgd) Jesse Gouge

Chairman."

EXHIBIT NO. 1.

Illustrations of differences between Car lot rates
and multiple car rates, voluntarily made by carriers.

	Single Car Rate Per ton	Multiple car Rate	% Reduction
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COAL from Ft. Smith, Ark.
to St. Louis, Distance
416.5 miles. Cited Pet-
roleum Rail Shippers vs
Alton T.S.R., 1 C.C. 243,
p. 646

\$2.75

\$2.00

27 $\frac{1}{4}$ %

Woodward Bennett Co. vs
San Pedro L.A. & S.L.G.
29 I.C.C. 664. Cattle
rates per car. Cited in
Molasses case, I.C.C. 235,
p. 496

Rates per
Car, less
than 8 cars
\$133.00

Rates per
Car,
20 cars
\$99.00

25 $\frac{1}{2}$ %

Miller & Lux Inc. vs
Southern Pacific Co. 41,
I.C.C. 617, Rates on
cattle per car. Cited
Molasses case I.C.C.
235, p. 498

Single car
\$32.50

Rate 20
cars
\$20.00

39%

Molasses cars from New
Orleans to Peoria, 235
I.C.C. 485

Cts. per
100 lbs.
17 $\frac{1}{2}$ ¢

Proposed by
Railway
14¢

20%

Gravel: C.N.Tariff,
C.N.R. No. W.1862, Birds
Hill to Winnipeg C.T.C.
1862 Item 755
Birds Hill to Winnipeg
Sup. 57, 1862, Item 756A

One car
75¢ per
cu. yd.

20 cars
40¢ per
cu. yd.

46 $\frac{2}{3}$ %

Can. National Tariff
GRAVEL: Birds Hill to
Portage la Prairie Sup.
57 to No.W.1862, Par.794A
Birds Hill to Portage,
Sup. 57 to 1862, Par.770A

One car
1.10 per
cu. yd.

20 cars
65¢ per
cu. yd.

41%

Can. National & C.P.R.
OIL: Calgary to Moose Jaw
and Regina, Ry. Com. of
Canada, File No.26488-6
Judgment, Dec. 18, 1937

Aug. 5/36
5 cars
27¢
Former rate
68¢

Aug. 5/36
25 cars
19¢

C. N. R.
LOGS: From Shames, B.C. to
Prince Rupert
Sup. 75, W. 192 L-1862

1 car
\$3.80

10 cars
\$2.50

34 $\frac{1}{5}$ %

Average reduction in per
centages between Multiple
Car rates and Single car,
U. S. and Canadian

32.91%

AVERAGE reduction in percentage
Canadian examples only

37.88%

EXHIBIT NO. 2.COST OF TRANSPORTATION OF COAL BY RAIL
FROM ALBERTA POINTS TO ONTARIO

AS FOUND BY	DATE	FROM	TO		AMOUNT
C.N.R. represented by Mr. Mallory and Sir Henry Thornton, before Committee of House of Commons	May 15, 1923	ALBERTA	Toronto (one way)	Per train mile 1800 tons	\$5.77
Two Members Railway Commission	Sept. 22, 1927	Lothbridge and Drumheller	Toronto	Per Ton	\$7.23
Hon. Frank Oliver Minority Report	Sept. 22, 1927	Lothbridge and Drumheller	Toronto	Per Ton	\$6.50
Geo. W. Oliver, Expert for Alberta and Ontario	Sept. 22, 1927	Edmonton Returning Empties	Toronto Basis A	Per ton	\$5.05
		Drumheller Returning Empties	Basis A	Per ton	\$5.25
Railway Commissioners for Canada	Under P.C. 1179 Sept. 1932	Alberta Blanket Points	North Bay Average	Per Ton	\$6.16
		" " "	Toronto Average	Per Ton	6.80
W.P. Hinton for Alberta Government	Sept. 1932	Average from Alberta Points	North Bay	Per Ton	\$4.71
		Coal Spur	" "	Per Ton	\$5.81
		Alberta Average Points	Toronto	Per Ton	\$5.23
		Coal Branch	"	Per Ton	\$4.24
Published Rate C.P.R. and C.N.R. Blanket	1923 Now in Force	Blanket Points in Alberta	Blanket Points in Ontario	Per Ton	8.00

EXHIBIT NO. 4.TRANSPORTATION AND PUBLIC UTILITIES BRANCH
DOMINION BUREAU OF STATISTICS

January 8, 1945.

Railway Revenue FreightLoaded and Unloaded

-in-

Manitoba, Saskatchewan and Alberta

Year	Loaded	Unloaded	Net Export
	Tons (2,000 lb.)		
1923	20,776,288	10,870,530	9,905,958
1924	19,757,450	10,767,628	8,989,822
1925	21,703,745	11,397,809	10,305,936
1926	22,452,019	12,834,315	9,617,704
1927	23,164,375	13,686,870	9,478,505
1928	30,204,146	16,150,175	14,053,971
1929	21,585,879	15,327,013	6,258,866
1930	20,247,951	13,228,851	7,019,100
1931	17,963,932	10,498,536	7,465,396
1932	18,538,692	9,637,956	8,900,736
1933	15,854,825	8,091,975	7,762,850
1934	16,529,820	9,529,694	7,000,126
1935	16,551,814	9,815,267	6,736,547
1936	17,096,552	9,872,563	7,223,989
1937	14,346,773	10,137,138	4,209,635
1938	17,584,561	10,144,043	7,440,518
1939	19,940,536	10,253,038	9,687,498
1940	19,580,365	11,197,730	8,382,635
1941	22,931,339	11,645,574	11,285,765
1942	22,084,458	12,877,125	9,207,333
1943	27,676,743	15,635,075	12,041,668

The 301,041 empty cars which are known to have come into the prairie provinces empty during the year 1943, would equal 962 cars per day, for every day of the year except Sundays, or nineteen (19) trains of fifty cars each every day.

(This added comment is our own and not a part of the report).

12:10 P.M. MEETING ADJOURNED UNTIL 2:15 P.M.

2:15 P.M. HEARING RE-CONVENED

MR. JESSE GOUGE takes the stand.

BY MR. GOUGE - Would it not be better if I submitted to the Commission some of these authorities that I have, now.

BY MR. FRAWLEY - You mean to put them in as Exhibits?

A. To read the full name of the case into the record, and then when the record is being read we can pick it up. I have a number here that I want to submit to the Commission. These are the authorities.

MR. COMMISSIONER McLAURIN - You stated them in the Brief?

A. Yes.

Q. Now you have the actual documents?

A. Yes. I have two "Railway Commission of Canada for 1927" and the Calgary Oil case. The report of 1933, February 1st. And before you start cross-examining me, there is one other, this will be an Exhibit and I think it had better be marked.

BY MR. FRAWLEY - You would like me to mark the correspondence between the Rt. Hon. R. B. Bennett and Dr. O. H. Patrick?

A. It is private correspondence, and I borrowed it. If there is anyone on the Commission, perhaps you Mr. Frawley could identify the Hon. R. B. Bennett's signature?

BY MR. FRAWLEY - I have seen it many times, and I think this is genuine all right. This, I suppose, supports your brief?

A. Yes, in some points. I would like to point out to the Commission the points on which I think it does. I may state to the Commission that there was one other attempt at an investigation of costs made by the Rt. Hon. R. B. Bennett when he was in the government at Ottawa. The matter of the National Coal Policy had been a political issue on which he had done some campaigning and he proceeded to make a test case. I regret very much that we have been unable to get the report which Mr. Bennett refers to in this letter, but there are a few things in the letter that are pertinent to what I said, and I would like to submit them. The train was shipped from Drumheller and it was assembled under Dr. Patrick's care, and the

correspondence was all addressed to him. This is dated Oct. 4th, 1926. - "I went down to Toronto to see our old friend George Robinson and the fuel controller in connection with the shipment of coal made from Drumheller. I saw Mr. Tennant and gave him his transportation back to Calgary. (He was the private officer who travelled with this train to make an audit of the actual transportation costs for Mr. Bennett). They certainly moved the shipment with great rapidity. I cannot recall any movement except crack trains, with a better record."

Then this is the paragraph:-

"The coal is satisfactory and the only complaint was that there was too little of it. Mr. Ellis was ... on a train both from Lethbridge and Edmonton, although the Edmonton coal he had not found entirely satisfactory.

I desire to co-operate with Mr. Tennant and yourself in the compiling of a most comprehensive report for the Government. This can stand until I get back to Calgary. The report which he made was a very satisfactory one indeed. The out-of-pocket costs in moving the train from Drumheller did not exceed Two Thousand Dollars. It remains only for the freight experts to make the necessary computations and allowances to arrive at the proper rate. The Fuel Controller tells me that he believed that the expert will be able to arrive at less than \$7.00. I have some doubt on that point. I hope to see you in the not too distant future."

Now another paragraph - September 29th, 1926.

"I have a telegram from Mr. Tennant at Toronto asking for transportation. Apparently the train came through in less than a week, I am going down to Toronto tonight and am taking Mr. Tennant his pass back to Calgary, and I will see Mr. Ellis and try and get matters disposed of at the earliest possible moment."

Now as I stated, the report to the Government mentioned there has been lost. It was not a public report and

of course we did not know just exactly what Department it went to even.

BY COMMISSIONER MORRISON - Perhaps it was lost in 1935?

A. In the big mass of files at Ottawa it is almost impossible to find anything.

BY THE CHAIRMAN - Was this privately done by Mr. Bennett, or was he a Minister of the Crown at that time?

A. He was.

Q. Minister of Justice, I mean?

A. Yes. This was an official shipment by the government authority and they paid for it. The three things that I wanted to bring out by this letter were: First, that the shipment travelled very fast, went through in less than a week; second, that the coal was very satisfactory, which we are very glad to say is an endorsement that we are very glad to have from as high an authority as the ex-Premier of Canada. And the other was that the total transportation cost was less than \$2000. If there is any cross-examination on that point, I would be glad to elaborate on it a little further.

BY MR. FRAWLEY - I have here something that is very apropos to what you have been saying. I have a copy of P.C. 1446, which I will read to you because I think it bears on what you have just been talking about. (Reads P.C. 1446) Does that help you?

A. It does, Sir. It is an Order that I had no knowledge of, but it undoubtedly refers to this shipment arranged for by Mr. Bennett.

Q. How does that deal with the statement you made, of about \$2000., if I got it right?

A. This statement of Mr. Bennett's might be said to be a rebuttal of some of the cost figures on behalf of the railway Company. But he emphasizes the point that I have been trying to make in my brief, that there is a possibility, because I have the figures here taken from the brief, on the transportation costs. The railway Company divided the transportation

costs into four or five items: Wages, C.N. 96-6/10¢, C.P.R. \$1.04; fuel C.N. (1.03 $\frac{1}{2}$), C.P. 16-2/10; locomotive expenses C.N. .09-1/10; C.P. 2.24; train supplies C.N. 23-7/10, C.P. 15-2/10; other transportation expenses C.N. 37.1, C.P. 64.8; coal doors 2.08; making a total transportation cost chargeable against each ton of coal carried, of \$2.70 for the C.N. and \$3.13 for the C.P.. Now if we reduced that to a lump sum by saying 2000 tons at \$2.70 we would have \$5,400 for transportation costs. With C.P. at \$3.13 it would be \$6,260. Whereas Mr. Bennett says transportation costs were less than \$2000. and they were kept by a travelling auditor.

BY COMMISSIONER MORRISON - Was not in excess of \$2000.

A. I think he said less. To make the point, I am not charging that the figures submitted by the railway companies are wrong, and I think a little bit of an illustration will show you how much could be saved by trainload movements as differing from a single car movement, as illustrated by these two sets of figures. Supposing this train moves into Kinsley and desires to get coal and water and other supplies there. He sees a work train ahead of him that is taking coal, water, oil and other transportation supplies from a warehouse. After the working train moves out, our train brings up and takes the same supplies, and after our train pulls out a train comes in from the east which is a mixed train, say 10 cars of freight, and 30 empties - about 3 to 1. They pull up at the same loading platform or filling station and the engine takes from the same supplies, all these different requisites that the railway train needs. That would go onto the book-keeping accounts as transportation for that day. The figures are all right. But when they start to charge and find the incidence for that cost, we have one and a third trains of freight, nothing can be charged to the work train or the empty cars; and the consequence is that whereas the actual figures of transportation costs weighed in and measured up, was less than \$2000. the railway figures show

C.N. \$5,400. and C.P. \$6,260. for the train. That means, sir, just what I have pointed out in my brief, that if we charge our freight with the average of all the transportation charges in the system, we are in that case alone paying to the Government, or to the Railway Company rather, a surplus of Four Thousand to apply on the payment of a lot of other charges that have gone into someone else's transportation, and the average is not a fair measure of the actual cost of the movement of this coal, and if we pay the average, we pay a big profit to start with. I think these figures bring out the point in Mr. Bennett's letter as clearly as I can.

BY COMMISSIONER MORRISON - Robbins Peter to pay Paul??

A. No, I don't charge that these figures are wrong, but our train didn't use them.

Q. But they have to get revenue from some source to do the things that that work train does?

A. Yes, and when we pay the average of all traffic, we have paid for it.

Q. You have paid for it once?

A. Yes, and refuse to pay a second time.

BY COMMISSIONER McLAURIN - Why should not this application be made to the Board of Transport Commissioners?

A. I have not any faith in that for one thing.

Q. You will appreciate that we are in a delicate position. They are a duly constituted court of the land, and there must be some men equipped to deal with this better than we three are at the moment. But judging from your experience in the past, you don't think your case will get a proper hearing?

A. I don't have any faith in it, and unless the railways themselves come forward to do something of that kind, I would not have any faith.

BY MR. FRAWLEY - Suppose you get 100% results from this Commission, it can only be a recommendation that the Board of Transport Commissioners would again review the matter. Is it not all that this Commission can do, would be to recommend

that the Board of Transport Commissioners once more review the case?

A. I think we have asked for more. We have asked for a recommendation to the Privy Council, who has appointed this Commission, if there is no possibility of a mutual understanding with the railways, if in the opinion of this Commission such a rate is possible. I don't believe it is absolutely necessary to have it referred to the Railway Commission.

Q. You do say on page 33 - "In case the railways neglect or refuse to make such appearance, then we pray for recommendation to the Privy Council in your report, advising that it is the opinion of your Honorable Body that a combined freight rate aggregating five dollars per ton on coal from Alberta points to Ontario stations within a radius of three hundred miles from North Bay, Ontario, is feasible, with profit to the carriers, provided the rate is predicated upon train load movement."

BY COMMISSIONER McLAURIN - That is all we can do. I think Mr. Gouge would be very happy if he got this Commission to make that finding.

A. I would.

Q. We have done our job then as far as you are concerned?

A. Yes.

BY MR. FRAWLEY - With respect to that, and to what the Commissioners may do, but to deal with it ex parte, as lawyers say, that might be a little difficult.

BY COMMISSIONER McLAURIN - You mean to force the railways to come before us?

BY MR. FRAWLEY - I suppose we couldn't force them.

BY MR. GOUGE - I have not asked that they be forced.

BY MR. FRAWLEY - Suppose the evidence remained, with a little elaboration that I might be able to bring out. Would that not put this Commission in a very difficult position, to be making a finding, no matter how much they might be convinced?

A. I don't think they would have to make a finding. Just give the opinion that such a rate was feasible and ask to have it established by someone else.

Q. You are asking this Commission to recommend a binding freight rate of \$5.00 if in their opinion it is feasible?

A. Yes.

Q. Then this Commission would be subscribing to that as a definite proposition?

A. I am leaving it to the Commission to word their own finding.

Q. You would let them depart from that strict language as much as they would like?

A. Certainly.

Q. I am only making these remarks to make you realize that this Commission would be in a very difficult position unless the Railway Companies come in and state, we want to go into all this and to demonstrate that Mr. Gouge's views are unsound, and so on. But if they don't, it would leave us in rather an invidious position.

BY THE CHAIRMAN - Is there not an appeal from the Board of Transport Commissioners to the Governor-in-Council?

BY MR. FRAWLEY - Yes.

BY THE CHAIRMAN - Did you ever apply to that?

BY MR. GOUGE - We have never applied to them direct. These investigations have been at the instigation of the Federal Government. They were always started by Order of the Governor-in-Council.

BY RAND MATHESON - On a question of law/ ^{and jurisdiction} to the Supreme Court of Canada, and on a question of fact, to the Governor-in-Council.

BY MR. FRAWLEY - But you do understand, Mr. Gouge, that you could have a rate case before the Board of Transport Commissioners by writing a letter to the Board Secretary, just a letter of one paragraph.

A. You can get a hearing, but not a very elaborate case on one paragraph of a letter.

Q. I am told that the Railway Companies can be compelled by the Board to come in and testify by just a complaint from you as a shipper.

A. They come in in a good many cases. In minor affairs of that kind I have had occasion to appear before the Railway Commission, but I don't think you would get very far in a case of this kind on a one paragraph letter.

BY COMMISSIONER MORRISON - Who comprise the Board of Transport Commissioners?

BY RAND MATHESON - The Hon. J. A. Cross, Chairman, Stoneman, McPherson, Wardrop and Stone.

BY THE CHAIRMAN - You have never had then a case concerning these freight rates from the Western Provinces, before the Board of Railway Commissioners?

A. Except in these investigations ordered.

Q. Then your statement that you have no faith in them, perhaps is not well founded?

A. Well I just happen to feel that way.

BY MR. FRAWLEY - There has never been a rate fight between a shipper and the railway company based on the efficiency or success of the rate, has there?

A. I might say that our application here is based upon a novel method of handling the freight. So far as I have been able to find, you will find in the molasses case a long long list of freight rates.

BY THE CHAIRMAN - That is hardly an answer to Counsel's question.

A. I just want to explain. Every one of those cases was a voluntary rate made by the Railway Company; not a dictated rate, or a forced rate, or a judgment rate. They were voluntary. I have only struck one case, and I will submit that, in this Volume of I.C.C. because it has a great deal of reasoning on this. This is the only case I have found so far which is in the nature that our's would be. This is the Alton case. In this case the position was reversed, and would be the same as our case

would be if we went to the Board and asked for a rate. I understand that I.C.C. has much more authority in the matter of making rates than our Board. Our Board has the right to tell whether it is unfair and unjust.

BY MR. FRAWLEY - You would have to base your application upon a proposition that the existing rate was unjust or discriminatory?

A. I cannot do that.

BY THE CHAIRMAN - Your Brief says they are charging too high a rate. If that is not unjust, I don't know what it is.

BY MR. FRAWLEY - I think the best we can say is that Mr. Gouge might find he had to settle a preliminary point as to whether the Board has the jurisdiction to do what he is asking. He is asking for a rate, and we have said we have no jurisdiction to make rates for that purpose.

BY MR. GOUGE - In this case the application was made by shippers and not by the railways themselves, and while the I.C.C. sustained their right to make a rate, to make it on the multiple car rate and so on. They discussed the question at great length, and they end up by saying "the matter requires further investigation" and they don't make a direct rate on the application. But the reasoning is altogether in favor of the idea, and the case is cited here, this case of the \$8.00 rate for 3436-3/10 miles. Other cases are cited of a similar nature. And in the case of the Oil Company, while the pipe line was never installed, there was a movement on foot and the railways had a right to anticipate it and meet competition.

BY THE CHAIRMAN - Was there not an appeal from the Railway Board on the question of jurisdiction to the Governor-in-Council?

BY MR. FRAWLEY - Even on the question of jurisdiction?

BY THE CHAIRMAN - Yes, which is a question of law, on the interpretation of what they say is discriminatory?

BY MR. FRAWLEY - That would all be printed in the Railway Act.

BY THE CHAIRMAN - Was there not an appeal?

BY MR. FRAWLEY - Well an appeal went from the Board of Railway

Commissioners to the Cabinet.

BY THE CHAIRMAN - To the Privy Council, or whatever you call it?

BY MR. FRAWLEY - On a question of jurisdiction? I don't know.

BY RAND MATHESON - It would all depend on the facts. As I understand the Railway Act the Governor-in-Council can

adjudicate upon matters pertaining to the question of fact, whereas the Supreme Court would adjudicate, but there have also been cases referred to the Privy Council.

BY THE CHAIRMAN - On the question of jurisdiction, on the question of their interpretation as to whether or not the Board of Railway Commissioners had jurisdiction to try certain cases.

BY RAND MATHESON - I just don't remember a significant case off-hand.

BY THE CHAIRMAN - Were you ever before the Board there with the Hon. R. E. Finn?

BY MR. MATHESON - Not with him, Sir.

BY MR. FRAWLEY - Is that all you wanted to say Mr. Gouge?

A. At the present, yes.

Q. It perhaps can be said that the burden of your brief, apart from finding fault with the methods in which the costs were arrived at, is that a rate should be established based on solid train movement?

A. That is it.

Q. Because at the conclusion of your brief you give the railway companies, you accept what they say is the total out-of-pocket cost and gives them some profit, and chase it downwards by the application of the multiple car or full trainload, facts?

A. Yes. The reason for my argument was not to put upon the Commission to find out how much the cost was, but to establish beyond a reasonable doubt that the amounts found by these experts are not too high, or are not too low, that they are actually higher than they should be. If you can get that idea into the minds of the Commission sufficiently. I feared that there would be a claim that the findings were actually too low,

and I am convinced that they were too high; how much too high, I don't care.

Q. The Commission can accept the finding of costs, even the higher one of \$6.88, but if they give effect to your proposition, that the fair way to move this coal is on a rate per trainload, then they can arrive at the \$5.00 rate by simply accepting the proposition of the trainload movement?

A. I think so.

Q. So that proposition is the fundamental burden of your brief?

A. It is based on that idea.

Q. You have drawn attention to what might be called the leading Canadian case, which arose in our own Province, to move crude oil from Turner Valley to Moose Jaw and Regina, 47 C.N.R. Cases at page 321, and that all came about by the Imperial Oil threatening to build a pipe line and take the oil that way.

A. Yes, competition.

Q. And having received that threat from a man at the head of the Imperial Oil the Railway companies immediately established (I think you said on their own hook) a rate which reduced the existing rate materially.

A. More than 70%.

Q. And that gives you hope too that if the same treatment was applied to the movement of coal, very considerable benefit would apply to coal shipment?

A. Yes.

Q. But nobody could threaten the C.P.R. that they would build a pipe line to carry coal?

A. It is unfortunate.

Q. Nor could he say he would use a trans-Canada Air Line to take it down.

BY COMMISSIONER MORRISON - Build another railway.

BY MR. FRAWLEY - So the motive that drove the railway company to put in that very low 19¢ rate does not exist, and we can hardly imagine it in the coal.

A. I think it does. We have the competition. It is not pipe line, or another railway, but all shipments into the same

territory from other countries, which we should be entitled to meet. If it is possible to meet that with our own railways, then we have a similar situation in every sense, because we cannot meet it now with anything we have. We say coal can move and if we get the right rate we can meet it.

BY COMMISSIONER McLAURIN - You have no threatening weapons?

A. Not to intimidate the railway.

BY COMMISSIONER MORRISON - He is depending upon the merits of his case.

BY COMMISSIONER McLAURIN - But the Imperial Oil didn't depend upon that.

BY MR. FRAWLEY - It seems to be just the matter of getting the Railway Company in the right frame of mind, where they fear the competition.

BY COMMISSIONER MORRISON - I don't think that is fair to the Railway Companies, to think their actions are motivated by threats.

BY MR. FRAWLEY - If you say you will move it by water, they will give you a rate to meet it.

BY THE CHAIRMAN - Which is a losing rate?

. I am wondering. Do you think the railways were not making a profit on the carriage of oil from here to Saskatoon or Regina when they reduced their cost to 70¢.

A. To 19¢.

Q. Well whatever it was.

A. They certainly were not losing money?

. Then is there not some injustice in the case here.

BY COMMISSIONER McLAURIN - There may be an injustice. We have the threat of a foreign coal coming in, but you can't use that against the railway.

BY MR. GOUGE - It is a threat of competition that we cannot meet.

Q. Against you, but not against the Railway Company?

BY THE CHAIRMAN - Mr. Gouge refuses to say that the rates into Ontario are unjust.

A. Not based on the basis of a single car movement. I think they are high; and I think they are so high that they could be

reduced even by single car traffic.

BY COMMISSIONER MORRISON - And still give the carriers a profit?

BY MR. FRAWLEY - If you went into the offices of the C.N.R. or the C.P.R. in Montreal and asked them for a rate on solid train loads - that has never been done?

A. As I submitted, about six months ago, to see what their reaction would be.

BY COMMISSIONER McLAURIN - But you rather slapped them on the wrist first. Your approach was one that you have been rather nasty in the past but now we might get together and co-operate. I will be perfectly frank, if I had been a railway official, it would not have put me in a very negotiating mood.

BY MR. FRAWLEY - You will not think me too critical if I read from page 3 of what you sent to the railway companies: "We are submitting this proposal to the railways now hoping that it may be accepted and a further submission to the Royal Commission on Coal avoided. A chartered accountant auditing these cost items will doubtless find other duplications which will not be stressed here." Now I don't know that these railway officials are very tender skinned, but they might say..

BY COMMISSIONER McLAURIN - Mr. Gouge admits that he wishes he had the chance to write again.

BY MR. GOUGE - That is another case perhaps where I was trying to threaten them with a pipe line.

BY COMMISSIONER MORRISON - The possibility of a conference with the proper officers of the railways, has not yet been fully exhausted?

A. I don't think so.

Q. I have in mind in 1938, there was a Board of Conciliation of which the late Mr. Justice McGillivray was Chairman, and Mr. Livett and Mr. Young Associate Members, that something came up during the Hearing, and from reading the reports the Board said the Railway Companies very graciously accepted the invitation to sit down and discuss these matters, and I was wondering if the time was not ripe for you to again perhaps approach

the proper officers of the railway companies for a conference. I am a firm believer in getting around the table with the people you do business with, and usually they can iron out some difficulties.

A. I think, Mr. Commissioner, that the recommendation which this Commission will make might have some influence in securing that idea, securing a conference. I would not have any faith in any invitation I could give them now.

BY THE CHAIRMAN - Why should they negotiate with you now when the Dominion Government has been willing since 1932 to pay them a bonus for carrying your coal?

A. That is the idea. So long as they know they will get subventions, I don't have very much faith.

BY THE CHAIRMAN - I am not blaming them at all.

BY COMMISSIONER McLAURIN - That is the weakness in the whole picture, that you have an industry depending on subsidy.

BY MR. FRAWLEY - But if you can bring to them a realization of some competing carrier taking this traffic, they would come down.

BY COMMISSIONER MORRISON - I don't think that is hardly fair Mr. Frawley because there is no traffic now. The amount of coal from the district Mr. Gouge represents, to Ontario, is infinitesimal.

BY MR. FRAWLEY - Even with subvention?

BY MR. GOUGE - Yes.

BY MR. FRAWLEY - But you say with 50¢ more benefit, a great tonnage would move.

A. I think there is something else. This thing must be pertinent. We must be able to say to the dealers and consumers in Ontario, we have something that will stay.

Q. You want to go to a published tariff and say, that is what it will cost; not to one of Mr. Neate's Orders.

BY COMMISSIONER McLAURIN - That may only last one session?

BY COMMISSIONER MORRISON - With Mr. Gouge's rate and a Central Selling Agency, I have visions of coal moving at an alarming rate.

BY MR. FRAWLEY - I appreciate what Mr. Gouge says, that he can put the thing on a business basis if he could deal with a published freight tariff. Now Mr. Gouge, you spoke about operating costs throughout your brief, when you are referring to these cost studies and reports. I think you referred to cost expenses?

A. I referred to carrying expenses.

Q. Operating costs, you say?

A. Yes.

Q. Let me call your attention to page 28 - "Speaking of percentage of profits, if the railways actually believed the figure of \$6.88 found by the Railway Commission in 1933 represented the actual operating cost, they have adopted the 16% as sufficient profit, because they have published and solicit business at a rate of \$8.00 per ton as a blanket rate for all Ontario, from Alberta shipping points." The \$6.88 was not found to be an actual operating cost, but the actual out-of-pocket expenses. That is just the simple fact, is it not, Mr. Gouge?

A. That may be what you think.

Q. I am just reading from the report Mr. Gouge. The Board find as out-of-pocket expenses to Toronto \$6.88.

A. That was what they were asked to do, but if you follow that hearing through, every item of expense that can be thought of is in there,

Q. In other words what you say they call the Out-of-pocket costs, you say you are entitled to call that Operating Expense?

A. I think it was; and I say further if there had have been any other costs that the railways could have found anywhere to augment that figure, they would not have put in the duplications of O.C.S.

BY COMMISSIONER McLAURIN - You are criticizing the reasoning of the judgment?

A. Yes.

Q. But whether it is well reasoned, or badly reasoned, its

conclusion was \$6.88?

A. Yes. But he is making a distinction between operating expenses and out-of-pocket costs.

BY MR. FRAWLEY - They found the out-of-pocket costs to be \$6.88, but Mr. Gouge says when you analyze it it becomes total Operating Costs, not Out-of-pocket costs. His analysis entitled him to say it was total operating costs, in fact everything except profit.

A. Yes.

BY COMMISSIONER MORRISON - In other words, the railways didn't leave anything out that you can find?

A. They put everything in, and they have one item, No. 11, I think, which says "Other Expenses".

BY COMMISSIONER McLAURIN - I am going to make an observation here. I don't feel that this Board is equipped at the moment to even properly intelligently follow (with all due deference to what my fellow Commissioners may feel) a rate inquiry, any more than I would expect a man off the street to be able to try a court case. I think we have had one thing put to us and that is, Mr. Gouge may have made out a prima facie case for some reasonable consideration to be given by somebody to the multiple carload scheme. Whether it is our job, or whether we will have the temerity to say to the Privy Council it is someone else's job, we cannot settle it today.

BY MR. FRAWLEY - He advocates that careful consideration should be given to put this movement on a solid train basis instead of carload. And it immediately presents itself that in the past the railway companies have only done that when they have been threatened with another kind of carriage that would take the business away. That might not be the only thing that would make them move, and it is the fact of getting into their minds the feeling that they would set up a full trainload movement. The other side is a critical analysis of the cost studies made in 1933. I had hoped to be of some slight assistance to the Commission in perhaps having Mr. Gouge look with me at one or

two passages in the Report. I certainly will not undertake that it will be very fruitful, and it might take up some time without any very great deal being accomplished. And while I don't mind doing my job, I am inclined to think, if you do not think it will be very fruitful, that I might be excused from that. I might go on and point out to Mr. Gouge some things for the edification of the Commission, which Mr. Matheson has pointed out to me.

BY THE CHAIRMAN - I do not understand my brother Commissioner when he says we do not know anything about freight rates or tariffs. But we stated definitely by the instructions we sent out to the various people interested in this, that we will deal with the transportation of coal. Now are we going to say, we quit?

BY COMMISSIONER McLAURIN - No matter how successful you are, all you will do is perhaps cast a little doubt on some of Mr. Gouge's reasons. You are not going to break down his suggestion that there should be a multiple car movement?

BY MR. FRAWLEY - No, I have said all I can on that. That is the best of his submission. Now whether he is right or wrong in the critical analysis he has made of the cost studies in 1927 and 1932, we are debating whether or not my going into that would be fruitful and helpful.

BY THE CHAIRMAN - Is there anything you can help Mr. Gouge out in, in saying that his arguments are good? We are not here to break down Mr. Gouge's arguments.

BY MR. FRAWLEY - Quite right, Sir.

BY MR. FRAWLEY TO MR. GOUGE

1. You do say you feel they have charged in 100% of the empty car return movement?

A. Yes.

2. And then you make the point that that has not been done in connection with other kinds of traffic?

A. Yes.

3. Let us take the traffic which moves from the Newspring,

pulp and paper, moved from Quebec and Ontario into Eastern Canada and Chicago.

A. I have very little knowledge of that movement.

Q. There would not be a great deal of traffic. I would think much more newsprint out than boots and shoes back in?

A. Very little.

Q. But how do we know that perhaps 100% of that empty car movement is in that rate which the publishers paid to take the newsprint down to Chicago?

A. It is in there, and perhaps 100% of the cost too.

Q. If they are doing that everywhere, then what complaint have you got when they are doing the same thing with you on the coal?

A. I think you have an entirely erroneous idea of my proposition. A rate and the cost finding are two different things. In this case the Railway Board of Transport Commissioners was finding cost, and they were finding cost based upon a movement of revenue traffic in one direction. That is the way I understand that they are found, because there is no charge for moving back the empties. What bears the burden is the revenue bearing traffic. My point is you cannot find the total cost in that way without having all of these O.C.S. in it. All of the expenses are figured and charged up against the revenue traffic, and when you divide total expenses against total ton miles of revenue traffic you should have as near the cost as you can get. That should be applied to coal, and we want to apply it going both ways.

Q. And you say there has not been so far as you know, any study of the cost of moving the newsprint from the mill to the market?

A. I don't know.

Q. This is a cost study. The other is an established rate?

A. Yes. If the railways establish a rate, they establish it to cover everything.

BY COMMISSIONER MORRISON - Including "other expenses?"

A. Yes.

BY MR. FRAWLEY - And the cost of the empties going back?

A. Yes. It has to be covered by the traffic that pays.

Q. Then coming to the somewhat complicated matter of whether it is gross revenue freight, or gross freight including the empty movement. I want to call your attention to what the Board says on page 4 of that report of 1933. Have you the Report of 1933 there?

A. Yes.

Q. What do you think of this as a proposition - "If the Board's finding was based on both revenue freight and empty car movement in obtaining their figure of gross ton miles in the table on page 4", now if their finding was based on both revenue freight and empty car movement in obtaining their figures of gross ton miles in that table on page 4, then would your statement on page 9 of your brief in which you say - "In finding the cost of all freight handled in 1926 and 1931, the gross ton miles of revenue freight was used and no pretense was made that accounts were ever kept to cover O.C.S. or empty car movement", - then would that statement that you have made be a correct conclusion if you assume with me. just for the moment, that the Board's finding was based on both revenue freight and empty car movement when they obtained that figure that you see there of gross ton miles?

A. I cannot see anything to indicate that that was true. I am not disputing it. It might possibly be one case. But I have been through those books so many times, and in nearly every instance I could find this is one item called "maintenance of way and structure. It is true that the Board adopted different methods - then "maintenance of equipment". That was discovered in an entirely different way. It was found in two ways by the two different railways. There might possibly be something in this "Maintenance of way".

Q. If you go on reading from page 4 - "The average weight per car of coal...etc"

A. That is what they are going to multiply our movement of coal, by the figures they find.

Q. I want to know where you found your authority for saying that the empties had been in this figure. I will go this far, that the most Mr. Matheson can suggest is that it may or may not be in there. If it is in there, then the statement you have made on page 9 would seem to be an unwarranted one, and if it is in, then what you say on page 9 is perfectly sound.

A. If the empties are calculated in that Table, that would be wrong in respect to that one item, but not with reference to the others, because the others are found on the basis of one way traffic. It may be wrong in that one item.

Q. You might be wrong to some extent, but it would not render invalid your general criticism?

A. It might. I have some comment to make on that maintenance of one way, when we submit the exhibits here.

(Page 2281 follows)

Q Now perhaps this is what I have asked you before, but it just bothered me a little bit; I will ask you again. On page 17 you say: "Here again, evidence intended to support the railway theory, has backfired and become the exact evidence we desire, to discredit the claim for cost of returning empty cars in coal traffic and not doing the same thing with traffic generally." Now as I say, how do we know that the railway company doesn't do that with traffic generally when they are establishing rates?

A I am not dealing with establishing rates; you are getting me wrong; I am establishing cost. They may have in their file--something I don't know anything about--they may have the cost of moving empty cars, and I think likely they would have. In any event they know what the loaded car movement is and they must have some information about the empties. I have not, but I am establishing a system of finding costs, not rates. Their rates do cover the empty movement, but you find here in the commissioners' report in 1927, the commissioner is describing Mr. Mallory's method: "From actual results he takes the gross ton mileage moved over this portion of the road in 1926, which is 7,001,157,000 tons and the actual cost of maintenance of that part of the line which was \$5,157,947.12."

I might tell you, Mr. Frawley, that part of my notes there was based upon, if I might read it to you here from Mr. Hinton, who had followed this through and was there, and on page 2 of his memorandum he says: "The railways seek to have this movement deemed a 100% empty movement and to impose a cost corresponding to the eastbound loaded car costs. As such costs are determined on the loaded car one-way costs for all other traffic. . . ." Now that is the opinion of a man who is an expert and an old railway man, and was there.

BY THE CHAIRMAN: You read that this morning to us, didn't you?

A Yes. He says: "For all other traffic than the additional coal traffic, it imposes a cost on the latter beyond that of any other traffic handled by the railways, notwithstanding that, unlike the coal, such costs are the average on all classes of freight handled, whether in small or large lots of high class merchandise involving expensive facilities." Part of my assertions there were based upon the expert evidence which Mr. Hinton has put into his report. He was present and listened to this.

BY MR. FRAWLEY: You do say here at the foot of page 14 that you "challenge the assumption that all freight ordinarily handled by the railways is handled without the necessity of moving empties." Now perhaps I should call to your attention that from statistics that Mr. Matheson has received, the empty movement of freight cars is approximately 50% of the total freight train loaded car miles, or roughly, for every two freight cars moved loaded in Canada, one car moves one mile empty.

MR. GOUGE: I don't know where the statistics came from.

Q That is from the Dominion Bureau.

A We would have been glad to have them. I won't dispute them.

BY COMMISSIONER MORRISON: Well, even on that basis they should only charge you half the movement?

MR. GOUGE: And even on that basis they should not charge any, because if they find this cost based upon the revenue cost in one direction, as Mr. Mallery says it is, then they should not have charged up anything, because that was in the wages, maintenance of way and structures, the agents along the line. There is none of this traffic in empty cars bears any revenue.

Q We have got to get those cars back if we are going to keep shipping coal?

A Maybe I can give you a simple illustration that conveys my thought, Mr. Morrison. Suppose I have a pile of gravel

on the south side of 9th Avenue here and a mixer on the north side and I hire a man to wheel it with a wheel-barrow. The first day I pay him \$10 a day and he wheels 100 wheel-barrows of gravel. The next day he wants to go on contract. I say, "All right, I will pay you by contract. You wheel 100 wheel-barrows of gravel for \$10; you get 10 cents for each wheel-barrow of gravel." He says, "That is all right, but I have got to wheel this wheel-barrow back empty, and I want you to pay me 10 cents for each trip for taking the wheel-barrow back." The first day that he figured in the whole cost of taking the wheel-barrow back and loading it and taking it back again you have the wheel-barrow paid for. It didn't make any difference how many you took back after; it is in the first cost it is paid for.

BY MR. FRAWLEY: You call attention in your brief to the fact that now the cars are more heavily loaded?

A Oh yes, much more.

Q And what you suggest there is that if there was a cost study made now, on the assumption that post-war the loads will continue to be as heavy, that would show a much lower cost per ton?

A In this finding here you will find there was an argument between the experts of the railways about whether the cars held 33 or 36 tons, and the finding was: "In estimating the movement Mr. Alward takes a load of 36 tons; Mr. Mal-lory for the Canadian National takes an average of 33.4. This average is arrived at on such movement of coal which actually took place in 1925-26. The use of 33.4 instead of 36 as a divisor in working out costs per ton makes a difference of about 8%." If the difference between 33.4 and 36 makes 8%, today we have all 40's and they are loading them up to capacity. A capacity car does make quite a difference in the cost.

Q Now is that all?

A I think that that is all. I have a few more exhibits here

and I am sorry I haven't one of Mr. Hinton's reports. I let you have one, Mr. Matheson.

MR. RAND MATHESON: Yes, I gave it back to you. You wanted to file it with the Commission.

BY THE CHAIRMAN: I suppose, Mr. Frawley, that there is a power higher than the Railway Commission in this country that can do mostly anything--the Parliament of Canada?

BY MR. FRAWLEY: Oh, Parliament, yes.

BY THE CHAIRMAN: It is too bad Mr. Witness didn't have sufficient influence with the Parliament of Canada and get some word from them, "If the railways don't fix proper freight rates here we will."

MR. GOUGE: I have that idea in mind. Not that I have the influence, but that is a possible resort eventually, and the report of this Commission will have a very important bearing on what that might be. We have a statutory grain rate we call the Crows Nest Pass rate, and that was established by the Parliament of Canada, and that rate on grain, which is a much higher classification than coal, is 12% lower than the coal rates are.

BY MR. FRAWLEY: Mr. Gouge has filed two extra exhibits:

Exhibit 128 - Bulletin of the Canadian Retail Coal Association, Toronto, dated 19th January, 1942

Exhibit 129 - Bulletin of the Canadian Retail Coal Association, Toronto, dated January 25th, 1944

MR. GOUGE: They are both exactly the same. They are the price list fixed by the Fuel Controller. They are the same one year as the next.

BY COMMISSIONER MORRISON: Does it contain any information on the price of Canadian coal?

MR. GOUGE: Oh yes, different grades of American coal and the Canadian, fixed by the Fuel Commission. I want also to file this report by Mr. Hinton.

Exhibit 130 - "Out-of-Pocket Cost Study
for the Movement of Coal from
Alberta to North Bay and
Toronto," ordered by P.C. 1179,
dated Sept. 23, 1932.

BY MR. FRAWLEY: You say it is Mr. Hinton's study??

MR. GOUGE: These are Mr. Hinton's studies, but they are not signed.

BY MR. FRAWLEY: We can say they are by W. P. Hinton.

BY THE CHAIRMAN: We will take your word for it.

MR. GOUGE: Now in connection with this exhibit I want to call your attention to the final figures--and this is an exhaustive study; there are more figures in here than I can look through--but he follows them very carefully and definitely and uses the same figures that the Railway Commission used, and he reaches his conclusion, and you will find it on page 21. Now the significant thing about this finding here, based on 1931 coal shipments, from Coal Branches to North Bay, \$3.81 per ton, to Toronto, \$4.34 per ton; Brazeau and Drumheller to North Bay, \$5.10 per ton, to Toronto \$5.56. Average to North Bay, \$4.71; to Toronto, \$5.25. Now there are two Commissioners here who know the geography of Alberta and know where Brazeau and the Coal Branch is. The Coal Branch is 175 miles further than Drumheller. I wanted to show this, that the finding of \$3.81 to North Bay applies from the Coal Branches, while ours was \$5.10. Now Mr. Malloy explains that ---

BY COMMISSIONER MORRISON: I thought it was Mr. Hinton.

MR. GOUGE: I'm sorry, Mr. Hinton. He says: "It will be remarked that the cost charges from the Brazeau and Drumheller field are generally higher than those from the Coal Branches, although about 88% of the movement originated in the Drumheller field, nearer its Ontario destinations by 175 miles than the Coal Branches where nearly 100% of the coal originated which passed through Edmonton. Maintenance of way and structures account are over 30% greater

and transportation expenses over 50% greater, reflecting the character of the line south-west of Saskatoon, both as to maintenance and operation." Now I can give a little bit of thought on that, because I was here at the time and know. When the C.N.R. was built it comes out of the Red Deer Canyon by Saunders Creek, and in the first 20 miles the railway crosses this creek 60 times, and there were 60 bridges. Originally pile bridges with wooden tops, they were washed out every spring and were a source of constant expense to the railway. That was prior to this, but along about this time or maybe a little before that the railway began an intensive transformation of those bridges, and they took out the pile bridges and put in abutments with steel covers, and today I don't think there is half of one per cent which is not built with concrete and steel, which is as solid as the pyramids of Egypt.

BY COMMISSIONER MORRISON: They have still got the 60 bridges?

A Practically the same. They might have taken out two or three by diversions. Had that extra charge not been made for the maintenance of way and transference of those old pile bridges to steel bridges our costs should not have been any higher, if as high, as the costs from Coal Branch, in which case the cost instead of being \$5.10 would have been \$3.81. The same difference in the cost is reflected also in the finding of the majority of the Board, because they used the same figures. As another proof that that is true I might tell you that the railway company in finding a rate from Drumheller to Saskatoon, where both those lines would converge, the railway rate from Drumheller to Saskatoon is \$2.80 and from the Coal Spur is \$3.80. They have proven that it costs 90 cents more to haul it over this line from Drumheller and make the rate \$1 higher than from the Coal Spur. They are established high due to a circumstance which has been removed.

BY THE CHAIRMAN: By what road do you get your coal into the British Columbia markets?

MR. GOUGE: By the Canadian National and the Canadian Pacific.

Q How do you find the rates there?

A Oh, the rates there are, I think, in accord with what is called the standard.

Q Well, don't you pay more by one road than the other?

A No sir, they are always competitive. It is a fact of course that the Canadian National mileage is much higher from Drumheller, but wherever it is a competing point both railroads make the same rate.

Q I understand they were getting some of your coal into the market at Vancouver for \$3.90 a ton?

A That comes from Coal Spur. That is on the Canadian National, up on the north line. It is not from Drumheller. From Drumheller the Canadian National have the long haul, many more miles than the Canadian Pacific, in which case the Canadian Pacific established the rate and it is accepted by the other line as their rate.

Q The other line is not competitive?

A It is not competitive. I might give you an illustration of how that works sometimes.

Q Oh, I don't ---

A Many very low rates are made on a competitive basis by the railways. I will just call your attention to one. Our straight run from Drumheller to Saskatoon is 315 miles by the Canadian National and the rate is \$2.80. The C.P.R. taking the same coal have to take it down to Regina and back to Saskatoon, approximately 700 miles. They charge the same rate, \$2.80.

BY COMMISSIONER MORRISON: Do they canvass for business?

A Oh yes. Do they! The rate to Regina is \$3.40. If the rate was fully earned when the coal gets to Regina, they haul it from Regina to Saskatoon, 200 miles, for 60 cents less than nothing.

BY COMMISSIONER MORRISON: And you expect this Commission to unravel those kind of things?

A No sir, I do not. I hope I didn't say that.

BY THE CHAIRMAN: All right, Mr. Gouge, thank you very much. You certainly put a lot of work in this brief. Perhaps your hardest work was to make us understand it.

MR. GOUGE: I haven't any fear of that because anything that I can understand mostly anybody can.

R E C O R D S

Exhibit 131 - Brief submitted by Lethbridge
Collieries Limited

C. S. DONALDSON: The brief to be presented is by Lethbridge Collieries, not by the Lethbridge field. The Lethbridge Collieries produce approximately 90% of the coal coming from that area, and that is the coal referred to by one of the Commissioners as "the coal that burns all night." We tried to follow Mr. Howland's schedule in preparing our brief, so with your permission I will ask Mr. Davidson to read the brief.

J. M. DAVIDSON proceeds to read Exhibit 131:

Location of Field

The Lethbridge coal seam lies immediately west and north of the City of Lethbridge and is contained within Ranges 21 and 22 in Townships 9, 10 and 11, West of the 4th Meridian. It appears in the Oldman formation or what used to be called the Belly River series of the Upper Cretaceous and extends for a distance of ten miles north and at least ten miles west where it runs into greater depth. In the area outlined the seam varies in depth from two hundred to fully six hundred feet below prairie level, with a gradual dip towards the northwest. It is considered a level seam as grades are not extreme unless where faults appear and those are many, varying in throw up to twenty feet. This gives a proved seam in area of approximately one hundred square miles.

The height of the seam varies from four to six feet with an exceedingly tender roof, costing in timber supports up to twenty-five cents per ton of extraction.

Availability, Transportation Availability

Optimum Rate of Extraction

On the eastern edge of the field the seam outcrops on the banks of the Oldman River, but these outcroppings have been practically worked out or nearly so, so the seam can only be reached now by vertical shafts varying in depth from three hundred to six hundred feet, mostly through soft shales requiring close timbering.

The field is well served by the Canadian Pacific Railway Company with lines running east and west as well as north and south approximately covering the entire area.

Over a great number of years' experience in this field, the proved extraction has been approximately two and one-quarter million tons to the square mile. Thus the extent of this field shown above gives an extractable tonnage of two hundred and twenty-five million tons, which may be increased if some method of working can be adopted which would increase the extraction. The following tables show the rate of extraction over the past ten years:-

1935	349,676
1936	351,564
1937	349,381
1938	342,113
1939	339,416
1940	337,317
1941	339,579
1942	470,085
1943	579,234
1944	481,896

Our present rate of extraction is slightly over half a million tons per annum, so the life of the field at this rate is well over four hundred years, although we would place the optimum rate of extraction at six hundred and fifty thousand tons per annum.

To hold our markets, our product must be well prepared with all friable pieces of coal as well as smaller

sizes kept out. To do this, we have found it necessary to leave pillars of coal in the workings underground that could economically be extracted, but there is little use in extracting crushed coal that would have to be hauled to the dump on top. This coal could be economically mined as all development work, ventilation and roadways have already been taken care of, but under present conditions slack coal is a drag on the market, so if a profitable method of briquetting or use by hydrogenation could be found, our percentage of extraction would be considerably increased.

In support of this proposal later reference is made to briquetting tests by the State of Illinois and it should be noted that the coals under these tests are almost identical in nature to Lethbridge coals.

Costs of Production - All Phases

Actual figures on costs of production are shown in our financial statements which have been submitted to your Ottawa office. Various items enter into our operations causing the costs to change from time to time. Unskilled labour and lack of sufficient miners are two of the main reasons for this variation. To bring this properly before you we can't do better than quote from the brief of the Alberta Coal Committee submitted to the Right Honourable W. L. Mackenzie King and members of his cabinet under date of April 17th, 1944. The brief was drawn up by representatives of the Alberta Government, the United Mine Workers of America, District No. 18, and the Coal Operators of the Province of Alberta, so should express a fairly common viewpoint. On page two of the above mentioned brief the following appears, and we quote:-

"The Committee recognizes the necessity of supplying the basic fuel needs of Western Canada and most emphatically is of the opinion that this cannot be done unless all miners at present in the industry are kept there by regular employment now. If these miners are forced to leave the industry, replacements by unskilled labour this fall will not remedy this situation since

the actual mining needs require mining experience from all men who actually produce coal at the working face. It should not be forgotten that some of the present employees of these mines were compelled by National Selective Service to leave jobs giving them full time work and now find themselves unable to earn a living wage through lack of work at these mines."

By the introduction of mechanical loading to some extent, we had succeeded in increasing the tonnage loaded per man-day until during the year ending March 31st, 1943, when 127,688 man-days produced 491,648 tons of coal, or an average of 3.85 tons per man-day. In the early summer of 1943 the Collieries were forced to close down for want of coal orders, with the result many of our skilled workers moved away to other parts where steadier employment could be secured. When sufficient coal orders did arrive, the skilled workers could not again be secured and unskilled men had to be taken on to fill their places. For the year ending March 31st, 1944, 151,598 man-days produced 455,359 tons of coal or an average of 3.46 tons per man-day. This meant a loss of 0.39 tons per man-day and a total loss of 51,323 tons of coal on the previous year's average. No doubt the unskilled men taken on in 1944 have acquired a certain degree of proficiency, but if the Collieries are forced to close down again this summer for lack of orders, many of these men would be lost to the industry again and another group of unskilled men would have to be trained with similar results.

Allow us to show what the 0.39 tons lost per man-day means to the operation. In the first place the whole of the tippie and above ground operations were fully manned for full scale production and the transportation crews underground were also at full capacity. The \$1.00 per day increase and the 77 ' Cost of Living Bonus has already been taken care of in the total man-days. The only additional cost to secure the lost 0.39 tons per man-day was the contract price for mining and loading the coal into mine cars, along with additional timber and supplies.

MR. DONALDSON: We would like to consider the balance of this section as read.

BY COMMISSIONER MORRISON: Yes, that shows a breakdown of your cost and I think it is only proper that it should not be made public.

MR. DAVIDSON continues brief:

Nature and Extent of Supervision and
Regulation by Governments

Coal mining in Alberta is supervised and regulated by the Provincial Government as far as safety and its technical application is concerned, and all operations are controlled by the provisions of the Provincial Mines Act. Since the outbreak of war the Dominion Government has appointed a Coal Controller who is also chairman of the Emergency Coal Production Board.

The Emergency Coal Production Board was created to assist in the procuring of sufficient supplies of coal for wartime needs. The Coal Controller, through the Wartime Prices & Trade Board, supervises coal prices so as to assist in controlling the cost of living under the Minister of Finance. We believe most Canadian citizens recognize the wonderful job accomplished by the Minister of Finance in controlling the cost of living in Canada, but the methods employed in controlling and meeting mining costs are so conflicting and contradictory as to be ruinous to the coal operator.

A flat rate subsidy of 35¢ per ton of production was authorized for the Lethbridge Field to commence April 1st, 1944. The rate of 35¢ per ton was established for the Lethbridge Field as the maximum amount required to cover wage increases authorized by the National War Labour Board and not compensated by price increases, plus the previously compensated portion of the Cost of Living Bonus now incorporated in the wage scale. An operator to be eligible for subsidy must

show to the satisfaction of the Board that he is unable to absorb the wage increases and Cost of Living Bonus referred to above. Operators who on March 31st, 1944 were in receipt of a subsidy in accordance with form F-4A, need not make fresh submission other than a direct application to be placed on the new basis of subsidy. Operators applying for subsidy for the first time must submit such data as is available in support of the claim, including a recently audited financial statement and statement of costs.

The Lethbridge Collieries had not been in receipt of previous subsidies, under Form F-4A, so had to submit their claim supported by financial statement. As a result of this the Emergency Coal Production Board saw fit to grant us only 12¢ per ton with a letter stating: "The present rate of 12¢ payable to your operation which has been approved by this Board is not subject to revision. However, if at the end of your financial year it is found that revenue has not been sufficient to meet the costs as outlined in CC 152, it will be in order for your company to make a submission to this Board for its consideration."

BY COMMISSIONER McLAURIN: What is CC 152?

BY COMMISSIONER MORRISON: Is it a bulletin issued by the Emergency Coal Production Board?

BY MR. FRAWLEY: Coal Control, I suppose, is CC. It is a mimeographed circular letter explaining Production Subsidy?

MR. DAVIDSON: Yes.

BY COMMISSIONER McLAURIN: Can we have that one?

MR. DAVIDSON: Yes sir.

BY COMMISSIONER McLAURIN: You don't need to mark it.

BY MR. FRAWLEY: I am only thinking about the record.

BY COMMISSIONER McLAURIN: You don't need to worry about the record. This is not like a regular court of law.

BY MR. FRAWLEY: No, I was thinking about readability afterwards. Somebody might be looking for it afterwards and wouldn't know where to find it.

BY COMMISSIONER McLAURIN: All right, have it marked.

Exhibit 132 - Circular letter from Emergency Coal Production Board to Coal Mine Operators in Domestic Fields of Alberta re Production Subsidy, dated April 11, 1944, signed by E.J. Brunning

MR. DAVIDSON continues brief:

In the report of the sub-committee of the Alberta Coal Committee with reference to meeting with the Coal Controller and his staff on 18th April, 1944, in the office of the Coal Controller at Ottawa, a stenographic record of the meeting was made and amongst other decisions arrived at, the following is shown:-

"At domestic mines, price increases may be granted in some special cases, but where a subsidy is required, it may be granted in lieu of a price increase and would be DETERMINED ON A DISTRICT AND NOT ON AN INDIVIDUAL BASIS.

"Where the mines in a district require subsidy, the amount will be determined by taking the AVERAGE LOSS OF ALL OPERATIONS and setting the subsidy figure at such amount as is found to be due to Dominion Government action, this to be paid to all mines in the area. Thus, above-average-cost mines will be forced to improve operations or carry the loss themselves, or close down."

This has been in no way adhered to as subsidies varying up to the maximum of 35¢ per ton are being or have been paid in the Lethbridge Field while Lethbridge Collieries were only allowed 12¢ per ton and although it is definitely stated by the Emergency Coal Production Board that their action is not subject to revision, they deliberately alter rates that have been established and have even seen fit to completely eliminate the 12¢ so granted.

MR. DAVIDSON: And we wish to add, "for the second month." We received it for two.

BY MR. FRAWLEY: That is in certain instances, is it, or in your case?

MR. DAVIDSON: In our case. (Continues brief):

The Board has not taken the average cost of the Field, as agreed, but has rather subsidized high cost operations.

Their methods have in no way encouraged economical operations and no operation can succeed under such uncertain conditions.

Our recommendation in this regard is that the Emergency Coal Production Board return to its original intention by returning to the operator by way of uniform flat subsidy in each Field the cost imposed on that Field, or put the entire operation on a Cost Plus basis, as so many other intricate and essential industries are today. By doing this the Government will reap the benefit of whatever improvements it sees fit to make in the industry.

We want now to bring to your attention a study of British Coal Mining of recent date entitled "Plan for the British Coal Industry's Future" presented to the British Government by Mr. Robert Foot, chairman of Mining Association of Great Britain, the highlights of which are:

1. Central Coal Board to act as trustees to the nation for the coal mining industry.
2. Shows a technical and financial survey of all the pits or mines with a view to modernization and the integration of the industry into smaller units.
3. That the coal of the country should be mined in accordance with best mining practice.
4. Progressive selling with elimination of inter-colliery and inter-district competition, giving best advice to consumer as to class of coal and best way to burn.
5. Stability of employment such as insuring a living wage and continuity of employment and give a reasonable return on capital investment.
6. Industry requires:-

From the Miners - good and continuous work with a liberal approach to cost reducing processes.

From the Management - enterprise, efficiency and adaptability to all modern methods.

From the Consumers - an understanding of the industry's problems and sufficient patience to give the miner and the owner their chance to make their respective but mutual contribution.

7. politics to be left out of mining. Shows drop of output per man employed or per man-shift worked under state control and the ultimate test of coal mining efficiency and economy is output per man-shift worked.
8. Nationalization is no cure-all for the industry.

The above are the highlights of a scheme presented by Mr. Foot to the Government of Great Britain, The Mining Association of Great Britain and the National Union of Mine Workers.

The complete brief has 35,000 words and is called "A Plan for Coal". A complete copy could be procured by this Commission from the Mining Association of Great Britain.

BY THE CHAIRMAN: I think we have one.

MR. DAVIDSON continues: . . . and we are sure you will find some sound thoughts which could be applied to the Canadian Coal Industry.

We also wish to recommend for your perusal the British report of "The Royal Commission on Safety in Coal Mines" issued in 1938 and obtainable from His Majesty's Stationery Office, London, England.

BY COMMISSIONER MORRISON: Have you that document in your office?

MR. DONALDSON: Yes, we can let you have it.

MR. DAVIDSON continues brief:

This we believe to be the most exhaustive study on the subject ever undertaken in any country and hence well worth this Commission's consideration.

Relation Between Production and Research Organizations

Our Provincial Government through the University of Alberta has experimented in the making of briquets with various coals from Alberta.

We notice the State of Illinois has also been experimenting and has found a method whereby coal of a similar nature to that produced in the Lethbridge Field can be made into a valuable smokeless fuel through a system of briquetting without the aid of a binder. For full information on their system we refer you to the Report of Investigation No. 41 on "Smokeless Briquets: Impacted Without a Binder from Partially

Volatilized Illinois Coals" and "Smoke Index: A Quantitative Measurement of Smoke" by R. J. Piersol and printed by authority of the State of Illinois. The ideas have been patented ---

BY COMMISSIONER MORRISON: When you say they have been patented, both in the United States and Canada?

MR. DAVIDSON: I don't know. In the United States.

BY COMMISSIONER MORRISON: I would think if they were just patented in the United States, I don't know if a fellow could be accused of being a canny Scotsman if he took the bull by the horns and did it in Canada.

BY COMMISSIONER McLAURIN: If somebody would make the equipment for him.

BY MR. FRAWLEY: He might be more than a canny Scot.

MR. DAVIDSON continues brief:

The ideas have been patented, but they can now produce a smokeless fuel from coal similar to that of Lethbridge that compares favourably with the best anthracites. All the experimental work has been accomplished by the State and although the ideas are patented, they are free to the industries of the State.

All experimental work of such nature should be carried on by the State or Province, as they would eventually be the beneficiaries of any idea that would increase our markets.

BY COMMISSIONER McLAURIN: Have you sent any of your own coal down for briquetting?

MR. DAVIDSON: No.

BY COMMISSIONER McLAURIN: Well, there is a commercial concern in Chicago that does that work. Do you know the concern?

MR. DAVIDSON: No. (Continues brief):

Desirability of Testing Facilities Within Canada For
Mining Equipment

There is a great need within Canada for a fully equipped testing station for mine equipment. At present the

Mining Industry in Canada is dependent upon tests made and certificates issued by the British Government testing station at Buxton, England, and the U. S. Bureau of Mines. The U. S. Bureau of Mines issues approval for a complete unit only, i.e. the electrical equipment must be attached to the mechanical unit it will drive before approval is issued.

The large electrical companies in U. S. and Britain could manufacture in their Canadian subsidiaries flame-proof equipment exactly the same as that made by the parent company if we had a proper testing station in this country to grant approval. The manufacture of such equipment would provide jobs for Canadian workmen.

At present the Provincial Mines Branches have to approve or reject equipment without testing facilities, with the result that they may accept hazardous equipment or reject safe equipment. They are, of course, guided by Buxton and U. S. Bureau of Mines' tests, but some equipment has never been subjected to these tests.

Electricians and engineers at our mines would have more incentive to put effort into the invention and improvement of equipment if approval could be granted within Canada. At present the procedure is too difficult and costly.

The staff of chemists and chemical engineers in Ottawa testing fuels are doing fine work and we feel that a Mines Bureau should be set up under the Research Council of the Dominion of Canada and engineers employed to test and approve mining equipment and carry on research work in mining.

The approval of equipment by the above Mines Bureau for work in Canadian mines should be acceptable to all provinces in Canada.

BY MR. FRAWLEY: That objection simply comes down to the fact that you would import some equipment made in Canada?

MR. DAVIDSON: It is too difficult to get, it takes too long to bring it in. It isn't made here.

BY MR. FRAWLEY: That is the only thing you complain of, the fact that it is made in the United States and you have to pay a little more for it in duty?

MR. DAVIDSON: Yes--and time. And in the United States it is attached to the unit it has got to drive.

BY MR. FRAWLEY: And therefore you have to buy the complete unit from the United States?

MR. DAVIDSON: Yes, or bring it all the way from England.
(Continues brief):

Low Temperature Carbonization, Liquefaction,
Hydrogenation, Etc.

No attempts at low temperature carbonization, liquefaction or hydrogenation have been made by private interests in the Lethbridge Field due no doubt to the high cost in experimental work of this nature, but it is from one of these forms that we can look for definite relief to our coal market problems, as well as to the solving of our requirements in petroleum products.

..allow us to quote from the preface of the article on liquefaction of Canadian Coals by hydrogenation, being one of the publications from the Bureau of Mines by T. E. Warren and K. W. Bowles, No. 798, which should bring to your attention the serious state in which the supply of petroleum products is, not only in Canada, but in the world at large.

"During the past twenty years the rate of the world's consumption of petroleum has greatly increased. In 1937 it was twice that of 1924, and three times that of 1920. About two billion barrels was produced in 1937, and at the end of that year it was estimated that the reserve in proved fields was about 20 billion barrels. This reserve, in itself, assures an adequate supply for only a short time because a deficiency can occur while a great deal of recoverable petroleum remains underground. The reason for this is that the rate of production cannot economically be raised beyond certain limits. Therefore, the maintenance of a sufficient supply to meet the expanding requirements is dependent upon the discovery of new fields.

"The rate at which new petroleum reserves will be discovered is uncertain, and a review of the recent trend is not reassuring. According to a report prepared by L. W. McCoy for the Marland conference on oil conservation, the rate of discovery in the United States has declined more than 50% during the past seven years as compared with the rate from 1924 through 1930. The amount of petroleum consumed in that country during the past few years has been reported to exceed the amount discovered in new fields. In spite of this, the proportion of the total world output produced in the United States has been increasing slightly and is now about 63 per cent.

"It is not too soon, therefore, to take under consideration the consequences of a possible deficiency of petroleum. As the demand approaches the potential supply it is probable that the price of petroleum products will rise until substitutes can compete economically. The proportion of these will then gradually increase as petroleum production diminishes. For this reason the raw material and methods employed in the manufacture of substitutes are of considerable interest.

"The principal raw materials available for the production of substitute liquid fuels are coal and the natural bitumens occurring in shales and sands. These materials differ from the fluid hydrocarbons in that they contain a smaller proportion of hydrogen. For example, a bituminous coal has about 5 to 6 per cent of hydrogen, whereas gasoline has about 14 per cent. Accordingly, any method which is to produce a large yield of gasoline from coal must be based on the addition of hydrogen."

From the foregoing it is quite evident that the cost of production of petroleum products from coal as well as the gallonage per ton to a great extent depends on the amount of hydrogen available. In Turner Valley the gas in the well is simply used as the vehicle to bring the oil to the surface. This gas is being used in industry, the heating of homes, etc. and is piped to the various towns and cities, but the balance of the gas has been blown off and burned to prevent the fouling of the atmosphere. This gas has an approximate analysis of 81.3% CH_4 and 15.2% of C_2H_6 as given by H. L. M. Stevens-Guille, analyst for the Madison Natural Gas Company Limited, and could well be used to boost the gasoline content in the hydrogenation process of coal. This could also apply to the byproducts of coke ovens that may be going to waste, so a real source of hydrogen is available in the West.

We are not chemists and do not propose to tell this Commission how any of these processes can be economically put into effect, but in the publication No. 798 of Dominion Bureau of Mines there appears a description of a model Pilot Plant constructed by the Dominion Department of Mines which is operating twenty-four hours per day while running tests and producing high grade gasoline from Canadian coal, and further in "Time" magazine of January 1st of this year another article appears in which Robert E. Wilson has been interviewed as to his ideas of a further supply of gasoline. Mr. Wilson is a chemical engineer and has just been promoted to the Chairmanship of the Board of Standard Oil of Indiana, so ought to know the problems to be faced in extracting gasoline from coal. He made the following statement:-

"What if we do use up all our petroleum? In five or ten years, with the technological advances that have been made and are in sight, we can make all the gasoline we want from coal, and sell it for only 5¢ more a gallon."

It is common knowledge that Canada imports more than 90% of its petroleum products and so far all the wildcat drilling that is now taking place has produced no sign that this figure will be altered in the near future. In fact, the petroleum prospects for the whole North American continent are not bright. Taking a long-term view of the supply of our gasoline and oil we would be well advised to look towards some scheme which would be self-contained in Canada.

Fortunately, Canada has been gifted with large coal resources. The coal resources in Canada as given in "Coal Resources of the World" are actual 415,000,000,000 metric tons, with 802,000,000,000 metric tons additional and probable reserves. The production of Canadian mines in 1936 was 13,188,000 tons, which with the probable reserves excluded leaves us sufficient coal for the next 30,000 years at the present rate of production, so the logical place to look for petroleum products is naturally from coal.

Canadian sales of gasoline and motor fuels for 1935 as given by Memoir No. 780 issued by Bureau of Mines and Dominion Fuel Board were 573,652,000 imperial gallons, or petroleum fuels marketed in Canada in 1935 by classes were:-

Fuel Oil	499,000,000	
Kerosene	35,000,000	
Gasoline	<u>574,000,000</u>	
Total	<u>1,108,000,000</u>	Imperial gallons

If gasoline can be produced at a cost of only 5¢ per gallon over present prices as stated by Mr. Wilson by its extraction from coal, no better use could coal be put to and no doubt certain further savings could be expected by its production in Canada beyond the cost estimated by Mr. Wilson.

BY COMMISSIONER McLAURIN: Mr. Wilson wasn't counting on 3.39 per man-day's production in his 5 cents.

MR. DAVIDSON: I don't see how that has anything to do with it.

BY COMMISSIONER McLAURIN: Well, the more man-day production you get the cheaper the coal is produced.

MR. DAVIDSON: We would have a higher rate of man-day production if we had a plant that would take our coal, instead of working 100 days in the year.

BY MR. FRAWLEY: Do you think you could get down to \$1 a ton?

MR. DAVIDSON: I don't know.

BY MR. FRAWLEY: That is what they tell me. In Pittsburgh if you can get down to \$1 a ton you can go into this gasoline business right away. I think you are the ideal people to do it. You have the C.P.R. behind you.

BY COMMISSIONER McLAURIN: The gasoline boys are not going to quit without a fight. They have a lot of equipment that is amortized.

MR. DAVIDSON: We are not asking them to quit.

BY COMMISSIONER McLAURIN: Once you put them out of business, they have all their equipment and if they are going

into competition with you they are going to salvage all they can, and they will down the price of gasoline.

BY MR. FRAWLEY: Don't you worry too much about that. You get the price of coal down to \$1 a ton.

MR. DAVIDSON: One way to get the price down nearer \$1 is to work more days in the year. We are looking for an outlet for our coal to supply work during the summer.

MR. DONALDSON: And by this method we can extract pillars of coal which are left in the mine at the present time.

BY COMMISSIONER McLAURIN: I think perhaps you could get down to \$1 with a 25-bucket stripping thing.

BY MR. FRAWLEY: Mr. Mahaffie is going to give it to us for less than that.

MR. DONALDSON: I think Mr. Morrison is a better man to tell you how that can be done.

MR. DAVIDSON continues brief:

With a hydrogenation plant in Western Canada and another in Eastern Canada, the question of coal markets in both coal producing areas would be solved and independence of our petroleum products requirements established.

This war has shown us what countries like Germany and Italy with no natural petroleum products of their own can do to make themselves self-supporting by obtaining their petroleum products from coal. It is certainly time for Canada to start in and make the country a little independent of outside sources for its petroleum fuels.

BY COMMISSIONER McLAURIN: That is not entirely a good illustration. Germany went into the business of making gasoline uneconomically so she could fight this war. We are fortunately destroying her synthetic plants right now. I mean there wasn't anything economic in the German operations. They were simply carried out with a view to waging war on her neighbors.

MR. DAVIDSON: Mr. Commissioner is talking about Germany, but Italy has no coal.

BY COMMISSIONER McLURIN: She did it for the same purpose, so she could stab France in the back.

MR. DAVIDSON: And provide employment for her people.

MR. FRAWLEY: Economic nationalism.

MR. DAVIDSON continues brief:

Territorial Extent of Market Excluding
Subsidies Etc.

Lethbridge Collieries Limited was formed and came into operation on the 1st day of April, 1935. Previous to this there were numerous collieries in the Lethbridge Field and the total output ran as high as 750,000 tons per year, but with the opening up of the Drumheller area it was found markets once held by Lethbridge were being supplied with Drumheller coal, thus decreasing our markets, so it became a case of the survival of the fittest so far as collieries in the Lethbridge Field were concerned.

BY MR. FRAWLEY: Just so that the non-Albertans will understand, this property was operating many, many years before April 1, 1935?

MR. DAVIDSON: This company wasn't.

MR. DONALDSON: The property operated at the present time is the Cadillac.

MR. FRAWLEY: It is a good many years ago that I was down in Shaft No. 6.

MR. DAVIDSON: That is not operating any more. That will be shown to you here. (Continues brief):

The Diamond City Mines and the Chinook Coal Company at Commerce finally closed around 1929, leaving only the Galt Mines, Coalhurst Mines and Cadillac Coal Company Limited with other smaller operations. Even with only three main operations in the field, sufficient market could not be found to make operations profitable, so after much negotiations by the parties interested in the three main operations, the Lethbridge Collieries Limited was formed with the idea of closing

up unprofitable operations and amalgamating sales and executive forces so as to reduce overhead and if possible draw together a set-up that could be operated profitably. To do this, the Cadillac Mines were retained, but both the Galt and Coalhurst Mines closed with a new operation commenced to take their place; so now we have the new Galt Mines and Cadillac Mines each capable of producing around 1,000 tons per day and operated under one company.

Lethbridge coal is one of the most desirable domestic fuels on the Canadian market today. It is a high grade bituminous C coal of the free-burning, non-coking variety and especially adaptable to domestic use, although the slack made in the process of mining is efficiently used in the generation of steam at the Sugar Factories at Raymond and Picture Butte, at the Lethbridge power plant and at various smaller industries and to quite some extent in C.P.R. shops. It is high in heat value and low in moisture, allowing it to store well; in fact, if protected from the weather, it will store indefinitely. The following is a typical analysis of the coal supplied by the Research Council of Alberta (1944) in Report No. 35:-

Moisture	10.7
Ash	9.8
Volatile Matter	34.7
Fixed carbon	44.8
B.T.U.	10,960
Sulphur	0.5

High Volatile C Bituminous

BY MR. FRAWLEY: What is the fusion point of ash, do you know?

MR. DAVIDSON: 2300, 2420.

BY MR. FRAWLEY: Ottawa gives it to me 2240.

MR. DONALDSON: I think they are too low.

MR. DAVIDSON continues brief:

During the winter season the coal finds a favourable market from Winnipeg to the Pacific Coast with a small part of our output going to Spokane and Seattle. This huge area

is of course invaded by other coals from other fields and as soon as the winter season is over, the market suddenly collapses as all screened grades are used purely for domestic purposes. Lethbridge coal is one of the top ranking coals recommended for shipment to the Ontario market, but in the face of all this we found our operation limited to from 100 to 120 days per annum in the period immediately preceding the outbreak of war.

The marketing of domestic coal is a matter entirely different to that of steam coal.

BY THE CHAIRMAN: Was that a case where the subventions were not sufficient to get your coal in there in competition?

MR. DAVIDSON: There were no subventions before the war.

MR. DONALDSON: In the summer season there is no demand at all for domestic coal. This is the only system we can see to make a continuous operation is by hydrogenation. Although the population around Lethbridge was doubling, we or some other would have to put in an extra operation, but the same thing would happen every summer time.

BY COMMISSIONER McLAURIN: That is going to happen even if Mr. Gouge's freight rate comes in.

MR. DAVIDSON: That is the point. We do not see how we can compel people to burn or store coal in the summer time, so we have got to find some form of processing coal.

BY COMMISSIONER McLAURIN: The Ontario market would have some effect on your working time, would it?

MR. DAVIDSON: The Ontario market might increase it to 140 or 150 days.

Q But it is not going to cure it?

A Not going to cure it at all.

Q Because the coal will not store out in the open satisfactorily?

A Not in the open.

BY MR. FRAWLEY: That is only half of it. You can't get the people to buy it until the winter season is on. They don't want the coal around the place at any other time, isn't that right?

MR. DAVIDSON: Yes. (Continues brief): The users of steam coal are principally railways and industries which operate throughout the entire year and are usually huge consumers, but the users of domestic coal are the householders drawing a heavy supply in the winter season for heating and cooking purposes, but a very limited supply in the summer season for cooking only. This causes the market for domestic coal to be very seasonable; heavy during the winter months with little or no market during the summer months.

[If some method could be instituted whereby the coal could be economically stored during the summer months in consumers' bins or an enforced regulation put into effect that would require the consumer to take a definite percentage of his annual requirements during the summer months, the market could possibly be extended over a larger period each year. As it is, the industry is neither profitable to the workers nor the operating company.

In the matter of extending markets it is agreed by all that a denser population, or more people per square mile, would help to increase markets for domestic coal.

One scheme which would help to increase the population in the West is the proposed water development now under consideration. This would put water on the land and help farmers to grow diversified products; in fact would make possible the growing of sugar beets, small vegetables, etc., and hence would bring canneries and factories to Alberta, and thus increase the population as irrigated land can support more population per square mile than dry land. The development of irrigation in Alberta would materially affect the coal industry and we believe should have the support of this Commission.

In the foregoing short brief we have endeavored to

convey to you gentlemen, a few constructive thoughts. Previous to the war the coal industry in Canada was not in a healthy condition and we trust that by reason of the wide powers conferred on this Commission, you in your wisdom shall find some solution, which when applied to the Canadian Coal Industry will place it in the position in Canadian life to which it belongs.

MR. DONALDSON: Do you wish the summary read, sir?

BY COMMISSIONER McLAURIN: The summary is just a summary of the brief?

MR. DONALDSON: Yes sir.

BY COMMISSIONER McLAURIN: I don't think it needs to go in at all.

BY MR. FRAWLEY: Mr. Donaldson, do you see any hope of expanding your Seattle market? I didn't realize you were shipping coal all the way from Lethbridge to Seattle?

MR. DONALDSON: No, we see no hope of expanding the Seattle market as that is simply a wartime market.

Q It is only going down there by direction of Coal Control?

A Yes.

Q You never shipped any there before the war?

A Not to Seattle.

Q To Spokane?

A Yes, a small percentage.

Q Any hope of expanding that?

A Not very much. The position of the market for the domestic field is this, Mr. Frawley.

BY THE CHAIRMAN: Are you going to have some examination?

BY MR. FRAWLEY: That is the only question I want to ask him, about the American market.

MR. DONALDSON: We have all the market we can handle during the winter months. The point is to do something for the summer months.

Q The people in Spokane are just of the same attitude as the ordinary consumer about not wanting to buy in the summer?

A Exactly. They don't want to buy in the summer months.

Q So you are forced to make this recommendation that there would be some sort of enforced regulation that would require the consumer to take a definite percentage of his annual requirements during the summer months?

A Or hydrogenation.

Q Of course there is another process apart from hydrogenation, and that is the Fischer-Tropsch gasoline?

A Exactly.

Q The only other thing to do, unless you are going to get into processing and utilization in that fashion, you would have to have some way to force these backward householders to buy their coal and store it?

A I don't see how you can actually force them.

BY MR. FRAWLEY: Saunders Creek have a brief, which will be read by Mr. Pullen.

Exhibit 133 - Brief on behalf of the Coal
Operators of the Saunders
Creek Field

MAJOR P. F. PULLEN proceeds to read Exhibit 133:

On behalf of the coal operators of the Saunders Creek district we would beg to present the following for your consideration:

The Saunders Creek coal basin is situated west of Red Deer, Alberta, and within townships 39 to 44 and ranges 9 to 16, west of the 5th Meridian. The greater part of the basin lies within the Clearwater Forest Reserve.

The present producing area is served by the Canadian National Railway, which runs through Red Deer, Alta., to Saunders and Alexo, a distance of 98 miles, and westerly another 17 miles to Nordegg, the terminus of the branch. At Red Deer connections are made with the C.P.R..

The railway crosses the coal measures, which outcrop and are accessible to it, for a distance of some 5 miles west of Saunders. Along this outcrop are situated the only pro-

ducing mines, Alexo and Saunders Creek.

The coal is classified as High Volatile Bituminous and is found in three seams, viz. 5, 8 and 6 feet in thickness. To date all production has come from the "Saunders" or 5 foot seam. Within the areas of the coal leases held by the two operating companies there is an estimated tonnage of 10,000,000 in the Saunders seam. The other seams contain large tonnages of coal of a good grade and constitute large reserves for the future. The total tonnage in the Saunders Creek basin would run into several hundreds of millions.

MAJOR PULLEN: There has been no estimate really made of that. There has been no drilling done outside of this very local area where the mines are producing. (Continues brief):

The coal is of low ash and moisture content, free burning and particularly well suited for domestic use in the screened sizes. The smaller sizes have a ready and growing market for domestic stokers and hand fired plants.

Following is a typical analysis of the Saunders seam:

Moisture	- 4.9%	Fixed carbon	- 53.1%
Ash	- 6.3%	Sulphur	- .3%
Volatile	- 33.1%	B.T.U.	- 11,830

BY MR. FRAWLEY: Who made that analysis for you?

MAJOR PULLEN: Well, there have been various analyses made. It is just an average analysis. I think this one was made by Milton Hersey, either Milton Hersey or by the department.

BY MR. FRAWLEY: Now the average analysis given me by the Bureau of Mines at Ottawa shows 10.1% moisture.

MAJOR PULLEN: It must have been a very wet sample. (Continues brief):

It rates as the highest grade domestic coal produced in Canada.

Markets

Saunders coal is marketed as far west as Revelstoke, B.C., and easterly to the Ontario - Quebec boundary.

The geographical situation of the field, with high freight rates to the Pacific Coast, has precluded any substan-

tial market being built up in that territory.

For the same reason Saunders coal is at a disadvantage in the competitive centres in Saskatchewan and Manitoba by freight rates 50¢ to \$1.00 per ton higher than other Alberta domestic fields.

In Ontario, with a flat freight rate of \$8.00 per ton from all Alberta mines, the coal offers excellent value to the consumer, and where a growing demand has been built up. By reason of the low moisture content and good stocking qualities, Saunders makes a most desirable coal for summer shipment to the East.

When this was written we had not been advised of the re-opening of the Ontario market. I say here: Unfortunately this Eastern market is at present closed to Saunders, as well as to other Alberta coals, by reason of transportation difficulties. After the war competition from American coal will undoubtedly be keen and the tariff protection, which Canadian coal at present enjoys, may possibly be withdrawn.

BY COMMISSIONER MORRISON: What makes you say that?

MAJOR PULLEN: Well, the handwriting on the wall.

Q Well, without injecting any politics into this question, have any political parties advocated that?

A No, not at all, but as I understand it the whole trend is towards a free international trade and I am very fearful.

BY COMMISSIONER McLAURIN: It all depends on your outlook whether you are fearful or hopeful.

BY MR. FRAWLEY: A person could be hopeful and hold views of bigger and better international trade?

MAJOR PULLEN: Well, unfortunately we are in the coal industry.

BY COMMISSIONER McLAURIN: So you are not going to worry about the livestock breeder or the wheat farmer?

BY COMMISSIONER MORRISON: Of course they do burn some coal.

BY MR. FRAWLEY: For heating the branding irons, I suppose?

BY COMMISSIONER McLAURIN: Mr. Pullen says he is not worried about them; he is worried about himself.

BY THE CHAIRMAN: As most of us are.

MAJOR PULLEN continues brief:

Unless this Ontario market be shortly re-opened--I am glad to say it has been, temporarily--the foothold that Western domestic coal had established will be lost, and the opportunity to extend Canadian coal sales within our own borders will be lost - possibly permanently.

I was going to make apologies, sir. These may seem rather local points that I bring out but an industry is made up of details and it is the only thing that I really have knowledge of. (Continues brief):

Costs

By reason of the physical nature of the Saunders seam, which entails much dead-work, with consequent low tonnage production per man, costs are high, particularly wages.

BY COMMISSIONER MORRISON: At that point, are your wages any higher than the wages say at Nordegg?

A No, we are in the same moderate wage schedule. I may say we were promoted to their scale.

Q When you say costs are high, particularly wages, you really don't mean that?

A Wage costs, I should have said.

Q That is what you said. You said, costs are high, particularly wages. I am suggesting to you the wage rates in this field are not any higher than they are in the fields enjoyed by some of your competitors, the wage rate?

A I didn't say the wage rate. I meant the wage cost, the cost per ton of production, as far as wages are concerned, is high.

Q Oh yes, but the wage rate may not be the reason why the cost per ton is high. Now I know some mines in this province

where they have the same wage rate and the cost per ton is not as high as yours.

A No, because they get out more tons per man.

Q In other words, what I am getting at, Major, I wouldn't like the Chairman and the other Commissioner to get the impression that you were being penalized out in that area by paying a higher wage rate than is in effect in the mining industry.

A No, we couldn't afford to.

Q And so there may be a lot of reasons why the labour cost per ton in your field is higher than others?

A Well, it is higher than some of our competing fields.

Q The labour cost per ton?

A The wage rate per day is higher than in some of our competing fields. We happen to be beside a bituminous mine and our rates, our miners' rate and some of our underground rates, were increased to the same basis as the Crows Nest Pass, whereas other domestic mines were left as they were.

Q That was done, Major, though, after an exhaustive hearing before the National War Labour Board?

A There was no hearing.

Q I am suggesting to you that there was.

BY THE CHAIRMAN: I suppose there was one argument they didn't hear.

MAJOR PULLEN: Well, I refer to the Loy award, equalization of pay. We had no argument; we had no opportunity to argue. All that happened was that two investigating officers came and they didn't go underground; they didn't even--I beg your pardon, they did stop at the office. I was away at the time. They went to the adjoining mine and they never saw the manager. Our wage rates were raised.

BY COMMISSIONER McLAURIN: You have pitching seams?

A Well, very slightly, not a flat seam, about 70 feet, but due to the fact that we were in a certain locality, adjoining

bituminous mines, our wages were raised.

BY MR. FRAWLEY: What do you mean? You say you are called a bituminous mine.

A Well, we were in the same locality; Nordegg.

Q But you are a bituminous mine?

A Not as high class bituminous. Other bituminous mines have a lower wage rate than we do, in certain mines.

Q About what proportion of the cost of production is made up of pay roll?

A About 70 per cent.

Q That is worth while talking about, isn't it?

A It is.

BY COMMISSIONER MORRISON: You are not suggesiting that wages are high?

A No, I didn't mean to suggest that point. (Continues brief):

Comparative figures of wages per ton, output per man day, of the Saunders, and average for Alberta mines, as per Bureau of Statistics, Ottawa, so far as available, are as follows:-

BY COMMISSIONER MORRISON: Why would you go to the Bureau of Statistics to get these figures when you have your own books?

MAJOR PULLEN: I was trying to make a comparison. The Bureau of Statistics figures, of course Saunders Field has two mines. I guess that is not giving any secrets away.

BY MR. FRAWLEY: Would you rather withhold that?

MAJOR PULLEN: It doesn't make any difference. It is an unfortunate circumstance, but we can't help it.

BY THE CHAIRMAN: What we wish to say to you, if you don't wish to make this public we can have it for ourselves.

MAJOR PULLEN: It is quite public.

BY COMMISSIONER McLAURIN: It doesn't need to be read.

BY THE CHAIRMAN: It can go in the record.

MAJOR PULLEN: Except it shows our unfortunate position.

Saunders Field

<u>Year</u>	<u>Wages Per Ton</u>	<u>Output per man day</u>
1939	\$ 3.25	2.40
1942	3.37	2.20
1944	4.46	2.00

Average for Alberta

<u>Year</u>	<u>Wages Per Ton</u>	<u>Output per man day</u>
1939	\$ 1.69	3.58
1942	1.90	3.65
1944	2.50 (est.)	

MR. PULLEN continues Brief

As will be noted, there has been an increase of \$1.21 per ton in wage costs in 1944, as compared with 1939, with a falling off in production per man day from 2.50 to 2 tons.

The increased wage cost in this field, resulting from the O'Connor award in November 1943 of \$1.00 per day, plus holidays with pay, and a Government Order that the cost-of-living bonus be absorbed in the wage schedule, amounted approximately to \$1.01 per ton. In addition, the Ley Award in July 1943, (that was the one I particularly referred to) with equalization of pay, time and one-half for overtime and holidays, added another 8¢ per ton to the costs, making a total of approximately \$1.09 per ton.

The reduction in output per man day is accountable, in part, by the shortage of experienced miners and the falling off in efficiency of other labour available. Also, in this connection, we would beg to draw attention of the Board to the great difficulty experienced in getting men through Selective Service, particularly to isolated places such as Saunders.

In addition to the increases in wage costs, another serious factor has been Workmen's Compensation Costs, which have more than trebled in the past four years. Following are the assessment rates for the Alberta Coal Industry since 1930:-

<u>Year</u>	<u>Accident Fund Per \$100. of Payroll</u>
1930	\$3.75
1933	4.25
1934	4.50
1936	4.75
1937	5.25
1940	6.50
1943	10.00
1944	11.00

As per above figures, the assessment rate in 1930 was \$3.75 per \$100. of payroll. In that year the average wage costs for Alberta mines was \$1.99 and Saunders \$3.17 per ton, which gave a compensation cost of 7.5¢ and 11.9¢ per ton respectively.

In 1944, with the assessment rate set at \$11.00 per \$100. of payroll and wage costs of approximately \$2.50 per ton for Alberta and \$4.46 for Saunders, the comparative costs are:-

	<u>Year 1930</u>	<u>Year 1944</u>
Saunders Field	11.9¢	48.0¢
Ave. Alberta - All Fields	7.5¢	27.5¢

This heavy increase in costs has added another very serious burden to the industry as a whole, particularly so to the high wage cost mines. In the case of the Saunders Field the charge is most inequitable and certainly bears no relation whatsoever to our accident rate. The latter has, for Saunders, been a most favorable one, which is exemplified by the substantial credit balance that this field has built up with the Compensation Board.

We would submit that the more equitable basis of assessment would be upon tons produced, rather than on payroll. On a tennage basis the high cost mines would not be further penalized by the fact that their wage cost per ton was high, but the tons of coal produced would be the measure of their liability."

BY MR. FRAWLEY - Is that just and equitable. If you trebled your production you would be paying a lot more compensation.

A. Well we would be in a better position to do it.

Q. Your accident incidence would not increase. Suppose you trebled production through mechanization. It does not seem right, does it?

A. It would be at least tempering the wind for the shorn lamb, and we would be in a position to carry those costs. I am speaking as a high cost mine, and there are other high cost mines, and it seems to throw the burden inequitably.

MR. PULLEN continues Brief.

We submit that the risk is run by the workman in producing a ton of coal and not increased by the fact that he receives more wages per ton for such production.

The present excessive compensation rate, coupled with high wage costs - the latter greatly increased by Government action in the past two years - constitutes a prohibitive burden to this field.

ABSENTEEISM.

This field has suffered in the past few years from absenteeism, which, while not perhaps as serious as in some of the other districts, has resulted in a considerable loss of production, besides upset to organization. As matters now stand there is no way in which a man may be disciplined for chronic absenteeism, such as desire to evade Income Tax or for trivial reasons. In England, we understand there is a system whereby an employee, absenting himself from work without good cause, may be fined \$5.00 for the first offence and increased amounts for succeeding convictions. We would suggest that consideration be given to some such regulation in Canada."

BY MR. FRAWLEY - You have a closed shop mine up there, do you not? You belong to the U.M.W.?

A. Yes.

Q. I understand that is comparable to a closed shop?

A. Yes.

Q. Why don't you ask the Union to discipline these men?

A. It is a very difficult matter, I understand.

Q. For the Union?

A. Yes. Is it not Mr. Morrison?

BY COMMISSIONER MORRISON - You have a Closed Shop Agreement?

A. Yes.

Q. And you also run what is referred to here as a Closed Camp?

A. Yes.

Q. You own the houses, and stores, and Hotel, so that in addition to being in the coal business, you have these other subsidiaries that you also operate. I think that was what Mr. Frawley had in mind, rather than Closed Shop Agreement.

A. I didn't know which was the error.

BY THE CHAIRMAN - Do you know what absenteeism is not caused by legitimate reason in this country generally, how it compares with absenteeism in the British mines?

A. Well it is for the same reason.

Q. No, how it compares?

A. I really don't know, Sir.

Q. It would be very interesting to have the figures.

A. I must say that so far as our mine is concerned, we have not suffered very much from absenteeism. I was speaking for Saunders Field.

BY MR. FRAWLEY - Do you get as much coal out Saturday as you do Monday and Tuesday?

A. Yes.

BY COMMISSIONER MORRISON - So as far as you are concerned you don't want the \$5.00 penalty that the Alexo want?

A. I don't think there would be many convictions. There would have been some.

BY THE CHAIRMAN - I suppose the miners are making so much money out there that they can pay 3 or 4 convictions a week?

A. Much more readily than I could, Sir.

BY MR. FRAWLEY - Is there a beer license out there?

A. Yes.

Q. Then if we closed the beer parlors it might help the situation.

BY COMMISSIONER MORRISON - Major Pullen says he has no fault to find about absenteeism. That it was pretty good. That he got out as much coal on Saturday as on Monday and Tuesday.

BY COMMISSIONER McLAURIN - Then why does he say that the field has suffered in the past few years from absenteeism?

A. There are other mines there.

Q. There are only two.

A. Well I was speaking for my brother as well as myself.

Q. Then you should say it only refers to the other one.

MR. PULLEN continues Brief

THE FUTURE

The future, and the very existence of the Industry in Alberta, depends upon its ability to meet competition from imported coals and substitute fuels after the war. Whether the Industry can grow and prosper will be decided by the cost per ton to the consumer. Any increase in costs, however small or from whatever source, will tend to restrict markets with

consequent reduction in employment.' This fact seems to have been overlooked by Governments, both Provincial and Federal.

Each revision of the Mines Act has tended to further restrict the industry and increase operating costs, while changes in Workmen's Compensation Acts, Taxation, etc., have thrown a further heavy burden on the mines. I should say, on the Industry.

We would respectfully beg to submit the following:

If the Ontario market, which offers the one great opportunity for extension of markets for Western Domestic coals is to be retained, its early re-opening is essential. Coupled with this must be the assurance of the continuance of the present assisted freight rates and the co-operation of the various Governments in the reduction of the cost of coal at the Pithead - having in mind the welfare of the industry as a whole.

Signed on behalf of:- ALEXO COAL COMPANY, LIMITED

(Sgd) P. F. Pullen
President and General Manager

BIGHORN AND SAUNDERS CREEK COLLIERIES,

(Sgd) Owen Morgan
General Manager."

BY MR. LIVETT - I would like to ask Mr. Pullen a question about his last remark, that each revision of the Mines Act has increased your costs. Are you not aware that amendments that are sought to the Mines Act are in many cases to protect the lives of the miners?

A. With that Mr. Livett I want to take no exception. But so often, and we have had it recently, they make some trivial changes but they do cost money and they don't protect lives or put money into workmen's pockets, and they increase the cost.

C. I know we have just finished a Session in Edmonton, a conference between representatives of the Government, the coal operators and the U.M.W. and we went over the Mines Act. I have seen by the Press that they have struck out many things,

or didn't put in many amendments because it was not dealing with safety, and my statement is that the Mines Act itself is primarily for safety purposes. If the amendments to the Mines Act is going to mean the safety in the lives and limbs of our people, then of course the cost will go lightly with me.

BY MR. PULLEN - It is in reference to things that were done, some trivial change in the Mines Act whereby they pay every two weeks instead of twice a month. It complicates, and costs money to do those things.

BY COMMISSIONER MORRISON - In Nova Scotia they pay every week.

A. I don't envy them. But it does cost money, and we have nothing to give if we are going to save the Industry. And we are asking the Dominion Government and the Railways to help us, and it is up to us, I think, to do all we can in this Province to put the coal as cheaply on the car as we can. I am not talking of reduction of wages, or anything of that kind, but there are so many things that we do. I have lived in the mine for 25 years, and I know there are many of these things that may be desirable, but we are in no position to do the things that are unessential, and if we change the Mines Act, that costs us money without giving any benefit sometimes.

BY THE CHAIRMAN - Do you belong to any of these organizations that we have had here in the last few days?

A. Yes sir, our Company belongs to the Domestic Coal Operators' Association of Western Canada.

BY MR. FRAWLEY - Do you belong to the Canadian Coal Operators' Association?

A. You mean in Ottawa?

. The Head Office is in Ottawa?

A. No, not yet.

BY THE CHAIRMAN - Are any of the domestic operators in that organization?

BY MR. FRAWLEY - Mr. Donaldson, do you belong?

A. No.

BY MR. LLOYD CRAIG - As head of the Canadian Coal Operators' Association, the answer is no, not yet.

BY MAJOR PULLEN - The Industry is made up, there are several classes of coal within this Province, and there is an opportunity down there, we feel, of an extension of the tonnages that may be mined in this Province, as long as we can get our coal down there, and it seems the only possible outlet. And why should we quarrel among one another. But Mr. Donaldson says that he feels that hydrogenation and those things are the only possibilities of extending it, but I think there are other coals that may possibly go down there.

BY COMMISSIONER MORRISON - We listened to a brief from Canadian Operators' of Western Canada and I would remind you of No. (e). I would hate to see you breaking with all that Mr. Cooley told us yesterday.

BY COMMISSIONER McLAURIN - You say you are a high cost mine?

A. Yes sir.

Q. I suppose you would agree with the view that there has been a shortage of mine help?

A. Emphatically, yes.

Q. And you have been under emergency assistance?

A. Yes.

Q. When did you first get it?

A. When they increased the costs.

Q. What year?

A. In 1943.

Q. And their first arrangement was one whereby they guaranteed you 15¢ a ton profit?

A. Yes sir.

Q. What year was that?

A. 1943.

Q. And would you mind telling me what they paid you to guarantee you that 15¢?

A. They paid us about \$1.50 a ton.

Q. You are a high cost mine?

A. Yes.

Q. And there is a shortage of help?

A. Yes.

Q. It would likely be of benefit to the industry if your mine was closed down if the Government has to pay you \$1.50 a ton, and let the men go to a mine that was not a high cost mine?

A. That is in their wisdom. There was a price ceiling set on coal and wages were high. At the end of the last war the Saunders Field were selling our lump coal at something over \$8.00 per ton, and \$5.00 for the slack.

Q. Do you compete with Mercoal? Is their price the same as your's?

A. They are lower.

Q. Your men could have gone there, then?

A. Possibly, but they would not have Saunders coal.

Q. But the public would have the coal at less cost to the country?

A. But had there not been a price ceiling on it, which I have no quarrel with at all.

Q. Mercoal had a price ceiling, and they sell for less?

A. But they are operating a different class of seam, a 10 or 12 foot seam, and their costs are much lower.

Q. But the only point is, if the country has to pay for coal, I would like them to spend it where they would get the most coal for the least money, and they don't appear to from your mine.

BY MR. FRAWLEY - They afterwards discontinued the \$1.50 to you?

A. Yes.

Q. And what base did they put you on?

A. 50¢.

Q. So when they were guaranteeing you 15¢ it cost the country \$1.50, and when it was reduced to 50¢, you are still able to operate?

A. Yes, we got more men and our costs were lower.

Q. Because mathmetically you should be making less than nothing now?

A. But the coal industry is not run on a mathmetical basis.

BY COMMISSIONER McLAURIN - If the subsidies keep up, I think it will be run on an astronomical basis.

BY MR. FRAWLEY - I want to file:

Exhibit No. 134 - Agreement between U.M.W.
District 18 and Western Canada
Bituminous Coal Operators'
Association, effective from Dec.
9th, 1938, to March 31st, 1940,

And I suppose by some method or other it is still continuing.

Exhibit No. 135 - Wage Agreement, effective
Sept. 1, 1938, between the U.M.W.
District 18, and the various
Coal Companies operating in the
Drumheller and Wayne Districts
in Alberta.

BY THE CHAIRMAN - I am almost sorry, Gentlemen, that the business in Calgary has been stopped so far as we are concerned, because personally I did enjoy myself in Calgary very very much, and any quips that may have been passed between my brother Commissioners and myself in regard to the weather, I may say it is the kind of weather I am used to in Nova Scotia, and I like it.

On behalf of the Commission I want to say that we thank all those who participated and co-operated with the Commission in the giving of evidence. I think I should say that some of the briefs presented here were very enlightening, more so than any others in Canada on certain phases of the coal industry.

We have no promises to make. We are not in politics. If either one of us were running an election within a few months we might make some promises. We have our limitations, but we assure you, all of you that are interested in the industry here, that we will do our very best to assist that industry, not only here, but throughout the length and breadth of Canada.

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